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THE NATION'S BUSINESS

If Small Business Conference delegate Bill Stone had known the investment tax credit was in peril, his glass company might not have pursued building plans. (Page 48)



PHOTO: SCOTT GOLDMITH

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Why is Utz Quality Foods, founded by Michael Rice's grandparents, in... er... the chips? One reason is that Mike did some strategic planning. As other owners of family businesses

have learned, planning—much of it of a type that applies also to nonfamily firms—can pay off. Mike's wife, Jane, is the firm's public relations director.



PHOTO: BLAIR SEITZ

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So your business is doing well. How do you keep it from faltering in the long run? And how do you keep it in the family? One answer: Work out a proper strategic plan. Case histories at a variety of businesses—from producing snack foods to selling vehicles, from operating supermarkets to running funeral homes—show what can happen.

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Tom Capaldi gives part of the credit for his success as owner of a franchise to the franchisor's slow but steady growth and frequent contact with franchisees. (Page 51)



PHOTO: SAL DI MARCO, JR.—BLACK STAR

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PHOTO: GREGORY HEISLER

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TECHNOLOGY

Indiana congressional race candidate Jim Eynon and his campaign manager, Sandy Sumner, lean on the computer. "Without it, my job would be unthinkable," she says. (Page 62)



PHOTO: DAVE REPP

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Savvy politicians are discovering that a personal computer can give them the advantage in a close race.

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Yes, Virginia, females are succeeding as entrepreneurs in high technology fields.

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To improve your staff's productivity, you may want to consider a few ergonomic adjustments when introducing computers.

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COMMENTARY

A Salute To Entrepreneurs

By John Naisbitt

In the last column of his 12-year reign as up-front commentator for NATION'S BUSINESS, James J. Kilpatrick in March ran through a final list of concerns, areas of American life that worried him. But he ended on a note of personal optimism. I'd like to take up where Kilpatrick left off and accentuate the positive by saluting our newest American hero—the entrepreneur.

Everywhere I go across this country, and I average one takeoff and landing a day, I see evidence of this latest version of the American Dream. The enterprising start-up businessman—and businesswoman—is alive and doing quite well in the 1980s. Consider this statistic: In the boom years of the 1950s and 1960s, new annual business starts in the United States never exceeded 100,000. Last year alone, there were more than 700,000.

As a prime example of the kind of Americans who embody this exciting new heroism, I offer Doug Greene, of New Hope, Pa., the founder and chief executive officer of New Hope Communications, the computer software, business conference production and publishing empire. New Hope's chief publications are: *Natural Food Merchandiser*—a natural foods industry trade journal with a monthly circulation of 14,000—*Delicious!*, and the brand new *Community*, a weekly newspaper celebrating the people and events of small town USA.

Now in his middle 30s, Greene was in trade magazine advertising in California when he decided to reverse Horace Greeley's famous advice and go east. He settled in New Hope in large part because of its symbolic name, and it was not long before the wisdom of the move was evident. New Hope Communications' sales hit \$4 million last year, up 100 percent over the previous year. And *Delicious!*, a handsome magazine for readers interested in "quality foods, body care and lifestyle," while only in its second year, already has 250,000 subscribers. Greene, who is refreshingly modest, says the fact that *Delicious!*

made money with its very first issue was "embarrassing."

This young entrepreneur's way of running New Hope Communications is an effective amalgam of Eastern energy and the relaxed attitudes of California that eschew such things as job titles and other trappings of power. I recently asked Greene about his innovative

traditional, classical rules and flip them. One of the things we don't have [are] hours, per se. You kind of make up your own hours based upon the work group that you are in. You make up your own title, and you're encouraged to choose the biggest title that you can.... But one of the things we've found is we have to encourage people to take bigger titles than they normally would.... People are pretty conservative in that, because they like to live up to their titles and really do the job."

Politically speaking, Doug Greene is pretty conservative, too. A staunch Reagan man, he put his philosophy where his mouth was after the invasion of Grenada. "I went down there, just as an American citizen, and saw that this country 14 by 21 miles with about 100,000 people really could use a good healthy shot of the American entrepreneur spirit."

Greene invited 35 young entrepreneurs to stage a free self-help business conference in Grenada. In less than two years they have laid down an entrepreneurial base which many Grenadians have built on. "I know, coming from Willow Rock, Ark., and driving a Wonder Bread truck for a living, that how I learned to go forward was by having role models."

Spice and hot sauce products are in the planning stage, and work on a food processing plant is under way. One of the first exports under the Grenada Mrid label will be a mango chutney. Greene, who has 25 percent of several joint ventures in the country, is bullish on Grenada.

Don't be surprised to see other innovative managers in the '80s using some of Greene's new approaches. For example, he begins each monthly meeting by saying "I'd like everybody to consider leaving the company. One of the most courageous things to do in the world is to quit a company."

As for his customers, Greene insists they too play by his "be nice" rules. He once told eight of his 10 biggest accounts he would no longer do business with them because they were too "rude." The next day, seven of the ousted eight had apologized.

Continued good luck to Doug Greene, entrepreneur and New American Hero. ■

"The enterprising start-up businessman—and businesswoman—is alive and doing well."

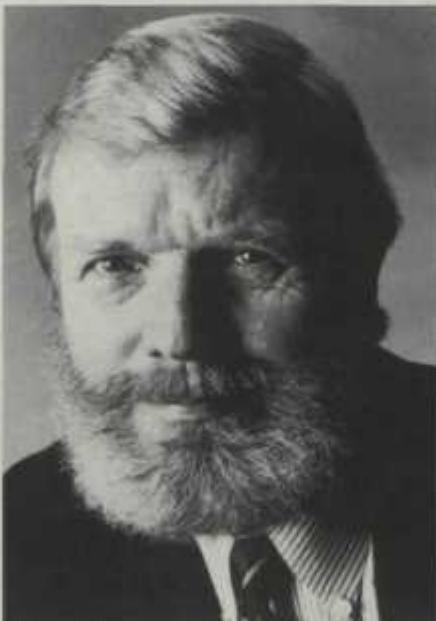


PHOTO: PHOCA BACH

management style. His reply: "I have three basic rules: Be kind, be honest and be kind. Which means, when you work with people, try as much as you can to make their work experience as pleasant as possible, because if someone is in a good, positive work environment they produce more. They're more creative. As fast as the world is changing, and as fast as business is changing, creativity is becoming a very important thing in the world of business today."

There is little chance that Greene's employees will ever become complacent. "We try to take a look," says their innovative leader, "at some of the tradi-

Guest columnist John Naisbitt is head of the Naisbitt Group, a Washington consulting firm, and author of Megatrends and Re-inventing the Corporation.

HOW TO AVOID AN UNEXPECTED CHANGE IN OWNERSHIP.

Your business could be in for quite a shock if one of your partners died. You might find yourself working for one of the heirs. It might also be financially difficult, if not impossible, to buy back the outstanding ownership interests. That's a corporate takeover neither side wants and in which both sides lose. The Prudential can help prevent this kind of unwelcome surprise.

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COMMENTARY

Letters

Friendly Comments

We have been subscribers to *NATION'S BUSINESS* for probably the past 10 years, and I have been reading business magazines and trade journals for many years. There is no question that today, *NATION'S BUSINESS* is No. 1.

The features that make this magazine so attractive to me are (1) the eye-catching colors, layout and pictures; (2) the easy-to-read print size and type style; (3) well-placed ads that do not dominate the publication; (4) articles of direct importance to small business; (5) the style of writing. Finally, what I consider most important is the ability to condense what could be a long article into a compact, hard-hitting story. You are giving *NATION'S BUSINESS* the same adept touch as the professional speaker who can get a message across in 15 minutes that takes other speakers one to two hours.

Allan R. Thieme

President

Amigo Mobility International
Albuquerque, N.M.

Computer Clarification

In Karen Berney's article, "The Cutting Edge" [April], she makes the following statement concerning the current state of mainframe computing:

"Now, however, computing is decentralized—departmental minicomputers and desk-top microcomputers have replaced mainframes in most cases."

I believe this statement to be grossly incorrect. While it is true that micros and minis are being introduced into the corporate computing environment, it is not true that they are "replacing mainframes in most cases." Computing is not so much becoming "decentralized" as becoming "distributed." Depending on computing power and data volume requirements, computing is performed on either micro, mini or mainframe.

In today's environment, three levels of computing—personal, departmental and corporate—are complementing rather than replacing each other. This is currently the case at BMW.

Kevin W. Tolly

Manager

Technical Services and

Communications

BMW of North America

Montvale, N.J.

What we're doing right; complementary computers; the profit potential in hazardous waste; the liability crisis.

Editor's note: The author meant to say that smaller computers increasingly are able to handle certain functions formerly the province of mainframes; she did not intend to imply that mainframes no longer are needed in business.

Waste Management

Patricia Truscott's timely article on the legal pitfalls awaiting generators of hazardous wastes ("Hazards From Hazardous Waste," March) was an important, well-informed appraisal of the issues now faced by hundreds of thousands of newly regulated small businesses in America.

However, the need to dispose of this hazardous waste properly need not burden generators with heavy expenses or a source of continuing liability. Our es-

timates are that more than 35 percent of the volume of waste now coming under regulation from small business sources will be liquid organic hazardous wastes. If kept separate from other discarded materials, they have value that can help reduce the expense of waste disposal.

About 52 percent can be reclaimed and re-used as industrial solvents, replacing virgin materials. Almost all of the rest can be recycled into industrial products.

Theodore J. Reese

President

*Cadence Chemical Resources, Inc.
Michigan City, Ind.*

Assuming Responsibility

I can't think of any business not adversely impacted by the bad situation in

the insurance industry ("Liability: Trying Times," February). We must change our national penchant to have someone else pay our expenses, whatever they are. The credo of the insurance industry must return to the concept of sharing. Now it is clouded with the concept "let the other guy pay."

Fabian G. Dufoe, Jr.

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Business Outlook

Sources For New Job Growth

Dropping energy prices are good news at gas stations, but bad news for many Texas oil and gas workers who are finding themselves unemployed.



PHOTO: HERMAN FOKKUM—BLACK STAR

A growing economy will create 3 million new jobs this year, a 50 percent jump over last year's level, according to a forecast by the Dun & Bradstreet Corporation. It says smaller businesses will do most of the hiring, with two of every three jobs being created by firms with fewer than 100 employees.

Says Joseph W. Duncan, D&B chief economist: "Business executives and consumers are optimistic about the prospects for economic growth this year, and this optimism is clearly reflected by the results of the survey."

The current business expansion is now 42 months old, making it the third longest period of uninterrupted economic growth since World War II. Just over 10 million jobs have been created in the past 3½ years, according to Labor Department figures.

D&B's forecast, based on a survey of 5,000 firms, says that payrolls of firms with fewer than 20 employees will grow 7.4 percent; those of firms with 20 to 100 employees will grow 6.9 percent; and those of companies with more than 25,000 employees will increase just .6 percent.

Duncan says this uneven performance is, in part, accounted for by two factors: (1) There is a high level of entrepreneurial activity by smaller companies and (2) larger ones are continuing to apply hard-learned lessons of the last recession.

This "lean and mean" approach, he says, has helped big companies "increase their efficiency and productivity, and they've been cautious about jeopardizing that by pumping up their payrolls too ambitiously."

The sectors with the highest percentage of firms expecting employment gains include finance, insurance and real estate, wholesale distributors and retail trades. Expectations of falling employment are concentrated in mining, government, transportation and utilities. Among manufacturers, more than one in four companies say they will add workers this year. Only one in 10 companies expects smaller payrolls.

Some of those landing new jobs will come from the ranks of the unemployed—D&B expects a 6.5 percent unemployment rate by December, down from 7.2 percent this spring.

Economic Surge Around Corner

The 25- to 35-percent slide in the dollar's value against key foreign currencies—beginning in February, 1985, and accelerating last September—is one of the factors economists have been counting on to lift the economy out of last year's doldrums. After what some say was a slow start this year, many business people are now anxiously asking, "Where is the lift?"

Rosanne Cahn, an economist with the First Boston Corporation, a New York-based investment bank, says not to worry—it is just around the corner. Exports should start to rise in the year's second half, she says.

Half of the gain in exports that can be expected because of lower prices paid by domestic manufacturers' foreign customers will occur over the next 18 months. But it will take a full 2½ years, she says, before all the benefits from the dollar's fall show up.

Most big-ticket export items, especially capital goods, have a long period between order and delivery, Cahn explains. As a result, rising sales of such products as construction equipment and airplanes will not show up in trade figures until delivery is made months or a year or more from now. Imports to the United States tend to be concentrated in consumer goods products—electronics, automobiles, cameras and footwear, she says—and those products are repriced rapidly in response to shifts in currency values.

One result of the difference in composition of imports and exports is that, initially, imports rise faster than exports do, Cahn says that "meaningful reductions in the merchandise trade balance must wait until 1987."

Businesses that should benefit most from the dollar's fall are mining companies, machinery manufacturers, metals producers, aircraft makers, chemical companies, footwear firms, cigarette makers, forest products companies and agriculture such as wheat, corn and soybeans. Standouts among those hurt by a weaker dollar include retail and wholesale importers.

Jobs for millions; the coming economic surge; a Fed view of lower interest and inflation rates; few are exempt from the liability crisis.

Fed Policies May Change

Federal Reserve Board member Manuel Johnson says that lower inflation is encouraging more personal saving in interest-bearing accounts.



PHOTO: PAUL FETTER

The nine-month-long plunge in interest rates and sharp decline in inflation expectations, due in part to lower oil prices, are good news for the economy.

But they may make it harder for the Federal Reserve Board to keep it on course in the future.

Manuel E. Johnson, newly appointed to the Federal Reserve's seven-member board of governors, says lower interest rates and inflation contributed to the past year's 12 percent rise in M1—defined as currency, traveler's checks, checking accounts and other deposits available on demand.

The one-year increase was about half again as much as M1 rose in the three prior years. Based on historic behavior, that would herald a brisk pickup in the economy because of the presumed link between money growth and future economic activity. M1 has been used by the Fed as an indicator as to whether monetary policy is too loose or too tight.

Lower interest rates and inflation expectations, however, have changed savers' behavior, Johnson says, in ways that increase the chance they will keep bigger balances in interest-bearing ac-

counts. Limits on minimum account balances and interest rate ceilings were lifted in March, ending a six-year phase-out of such restrictions. Banks and S&Ls now compete on more equal footing with other types of financial institutions for savers' dollars.

One result of this is that accounts once used to hold money ready to be spent are now also being used to hold savings.

As a consequence, "More money than normally expected is now needed to maintain a given level of economic activity," Johnson says. This means the Fed may be in a position to let the money supply grow faster than otherwise.

There are broader policy implications, too. Johnson says the Fed should now adopt a more flexible money policy, one that "places a good deal of emphasis on a broader range of information—rather than simple rules—in feeling our way toward the basic objective of sustainable noninflationary economic growth." Such a change could give the Fed more room to maneuver in raising and lowering interest rates in response to economic conditions.

Liability's Broad Impact

More than 90 percent of the delegates to a recent meeting of a broadly based business organization have been affected by the liability crisis, a survey shows.

An increase in premiums was reported by almost 70 percent of business people attending the annual meeting of the U.S. Chamber of Commerce, while 35 percent said their insurance coverage had been reduced.

Other results of the survey: unable to obtain coverage, 15 percent; forced to self-insure, 15 percent; operating without coverage, 11 percent; forced to drop products or services, 11 percent.

(Many of those responding listed more than one impact, which is why percentage totals add up to more than 100.)

Premium increases of more than 100 percent were reported by 27 percent of those participating in the survey. (Five percent of that 27 said the boosts had been above 500 percent.) Three percent reported premium boosts up to 10 percent, 18 percent cited boosts of 11 to 50 percent, and 20 percent said their insurance costs had gone up 51 to 100 percent.

Only 7 percent of those answering the survey said they had not been affected by the crisis.

Meanwhile, the campaign to deal with the underlying causes of the liability problem continues in Washington and in state capitals across the country.

Specific goals include limitations on various types of monetary awards in lawsuits. These include damages for noneconomic claims, which are primarily based on allegations of "pain and suffering," punitive damages awarded in addition to compensation for economic losses; and joint and several liability, under which defendants with financial resources can be required to pay the share of co-defendants unable to meet terms of the award.

Reform proposals also call for limitations on contingency fees, under which lawyers receive a fixed percentage of the total damage award.

Washington Roundup

Protectionism: The Fight Goes On

President Ronald Reagan, in a speech at the U.S. Chamber of Commerce, told business executives that he will fight to expand markets for U.S. exports.

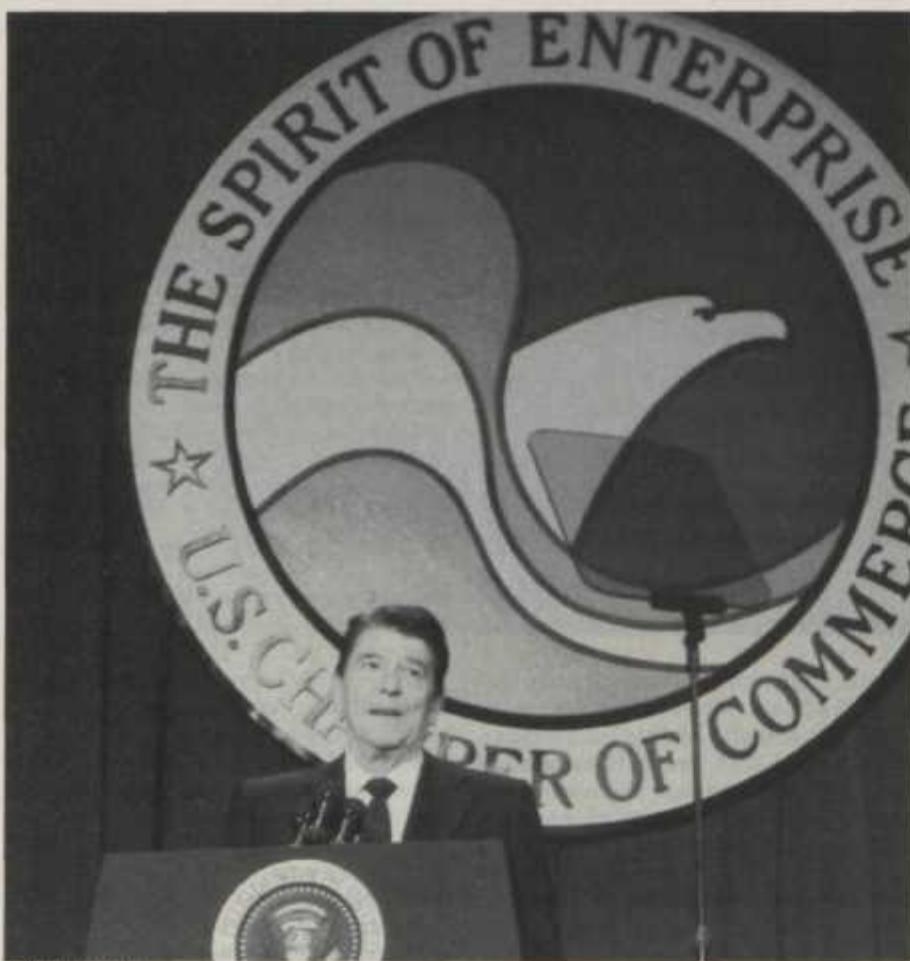


PHOTO: T. MICHAEL KEZIA

What economists call the J-Curve has become the key factor in the longstanding trade policy conflict between President Reagan and protectionist forces on Capitol Hill.

Under the J-Curve concept the trade deficit, which reached a record \$150 billion last year, will continue to increase for some time before the effect of corrective actions is felt. The deficit was \$2 billion higher in March than in February, despite the dollar's sharp decline in value against major foreign currencies and the drop in prices of imported oil.

The Reagan administration had been counting on a weaker dollar—which makes imports more expensive and ex-

ports less expensive—to significantly reduce the trade deficit.

March's deficit upsurge brought renewed demands in Congress for enactment of protectionist measures that would establish quotas and other barriers to imports.

The administration and business groups that support its free trade policies are counting on a turnaround later this year. They point out that it takes time for pricing and other changes dictated by the declining dollar to take effect.

Trade policy has been a priority issue in top government quarters in recent weeks in view of the April visit to

Washington of Japanese Prime Minister Yasuhiro Nakasone and the economic summit meeting in his country last month.

Before leaving for the summit in Tokyo, President Reagan gave a strong reaffirmation of his trade policies. He told a business audience at U.S. Chamber of Commerce headquarters:

"Now is not the time to surrender to trade-killing protectionism. Protectionist moves basically profit special interests at the expense of the consumer and at the risk of retaliation, costing Americans their jobs... The right answer is not decreasing imports, but increasing exports. I will resist any attempt to restrict or close our markets. It's bad for the consumer, bad for business and bad for America."

While backing free trade, the administration has been urging other nations to eliminate the many forms of protectionism they have set up against foreign goods, particularly those from the United States. Such appeals have been made frequently to Japan.

Nakasone said during his visit to Washington that he believes Japan "must tackle the epoch-making task" of transforming its economic structure "into one dependent on domestic demand, rather than exports, leading to a significant increase in imports."

The Racket Over A Racketeering Law

Organized crime was the target when Congress passed the Racketeer Influenced and Corrupt Organizations Act in 1970. But now, says Philip B. Chenok, president of the American Institute of Certified Public Accountants, the statute—known as RICO—is being invoked in a "ludicrous" way.

In testimony to the Senate Judiciary Committee, Chenok said the act is being used as the basis of civil complaints

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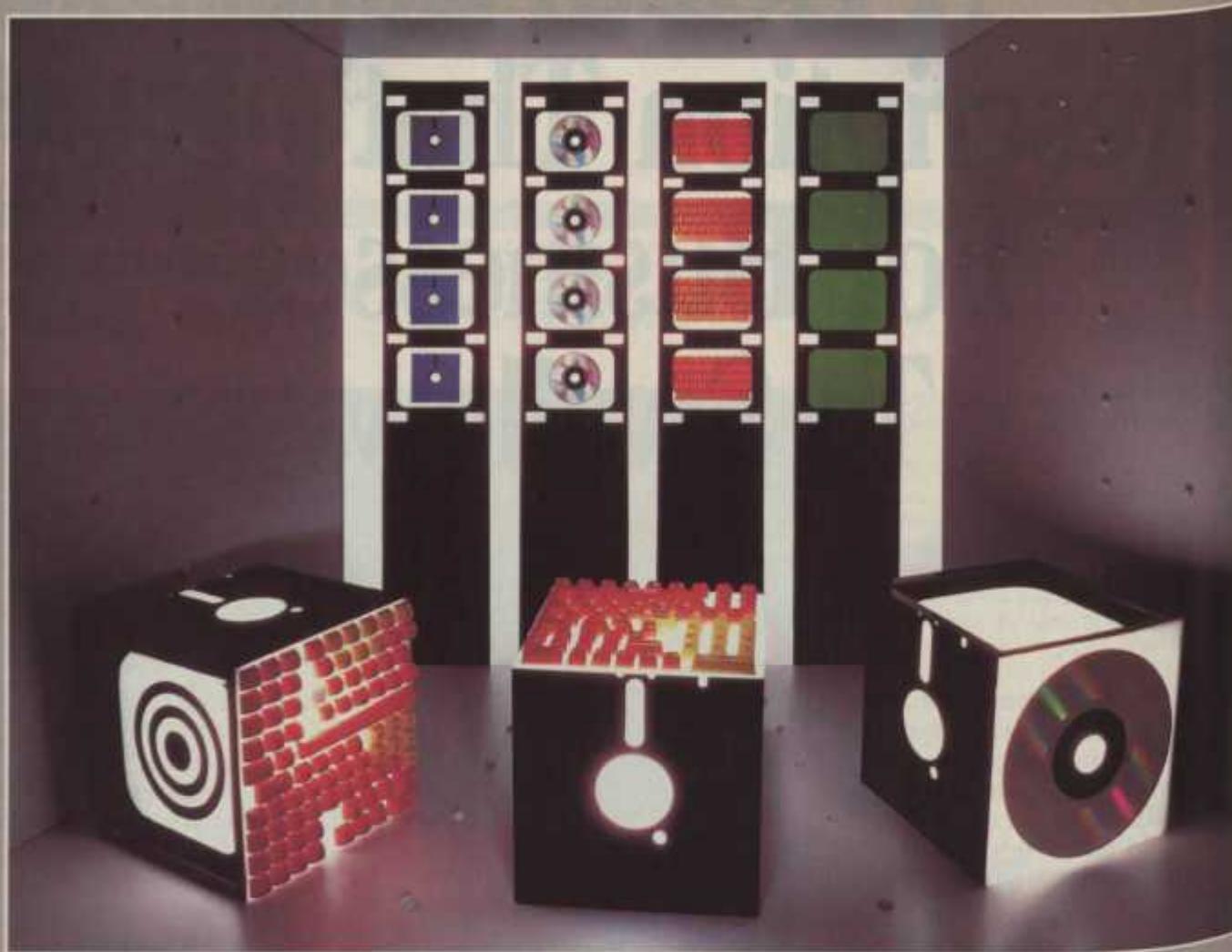
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Trade policy and the J-Curve; the racketeering law gone astray; a move to set requirements for parental leave.

Philip B. Chenok, president of the American Institute of Certified Public Accountants, says some of the nation's most respected accountants

have been targets of racketeering allegations because of a defect in a law aimed at combating organized crime.



PHOTO: TOM SOROLIK—BLACK STAR

against legitimate businesses in routine commercial disputes.

The law allows alleged victims of "racketeering" to recover three times the amount of financial injury they have suffered, plus legal fees. Chenok said a once-obscure provision of the anti-racketeering measure is being used to get treble-damage judgments against businesses in claims of breach of con-

tract, product liability and wrongful discharge from employment. He urged that Congress amend RICO so that it can be used in civil actions only if the defendant named has been convicted of offenses specified in the law.

While the Senate committee is moving ahead on the bill, a similar measure has been languishing in a House Judiciary subcommittee.

Fencing In Employers

Smaller businesses in particular are expressing concern over a bill pending in Congress to require employers of five or more workers to grant parental and medical leave.

Under the measure, both male and female employees would be entitled to 18 weeks of unpaid leave during any 24-month period in connection with the birth, adoption or serious illness of a child. Up to six months' unpaid leave a year would have to be provided to employees unable to work because of a health condition.

The bill would guarantee that employees could return to the same or an equivalent job after taking such leave.

Though the legislation in its present form specifies unpaid leave, it also would establish a commission to come up with a plan for full or partial pay to workers on temporary leave.

Susan Hager, president of Hager, Sharp & Abramson, a Washington-based public relations firm, testified at a joint hearing of two House subcommittees: "Congress seems to ignore the fact that all U.S. businesses do not have the resources or operating structure to provide the benefits that we might all agree are worthwhile." And, she said, Congress "has yet to demonstrate that employers are not accommodating employees with family responsibilities."

Updates

OSHA Enforcement

Labor Secretary William E. Brock says his department does not plan a return to the "nit-picking . . . aggravating kinds of actions that drove everybody up the wall" in previous administrations' enforcement of the Occupational Safety and Health Act.

"Voluntarism and cooperation will be our approach of choice," he said in an interview. The Secretary added, however, that if that does not work, "We will use a variety of approaches—training and education and, occasionally, hammers or two-by-fours."

He cited a record fine of \$1.4 million levied against a major corporation and said it is all right with him if other companies derive a lesson from that. "We're going to improve safety to the extent we can," he said.

Acid Rain

Following talks last winter with Canadian Prime Minister Brian Mulroney, who had been pressing for U.S. action to curb acid rain, President Reagan committed the United States to a \$5 billion effort to develop technologies for burning coal more cleanly. He also pledged continued research into the atmospheric chemistry that causes acid rain.

Nevertheless, the long controversy over the most cost-effective way of dealing with the problem goes on. Members of Congress who support the regulatory route have reintroduced legislation that would require massive reductions in sulfur emissions from coal-burning power plants.

But Lee Thomas, administrator of the Environmental Protection Agency, says regulators do not know how much of a reduction in emissions is needed "to prevent or eliminate acid rain damage."

Utility officials say the measure's mandatory reductions would require use of techniques developed more than a decade ago and would raise rates for electricity as much as 30 percent in some areas.

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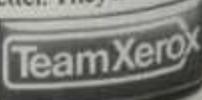
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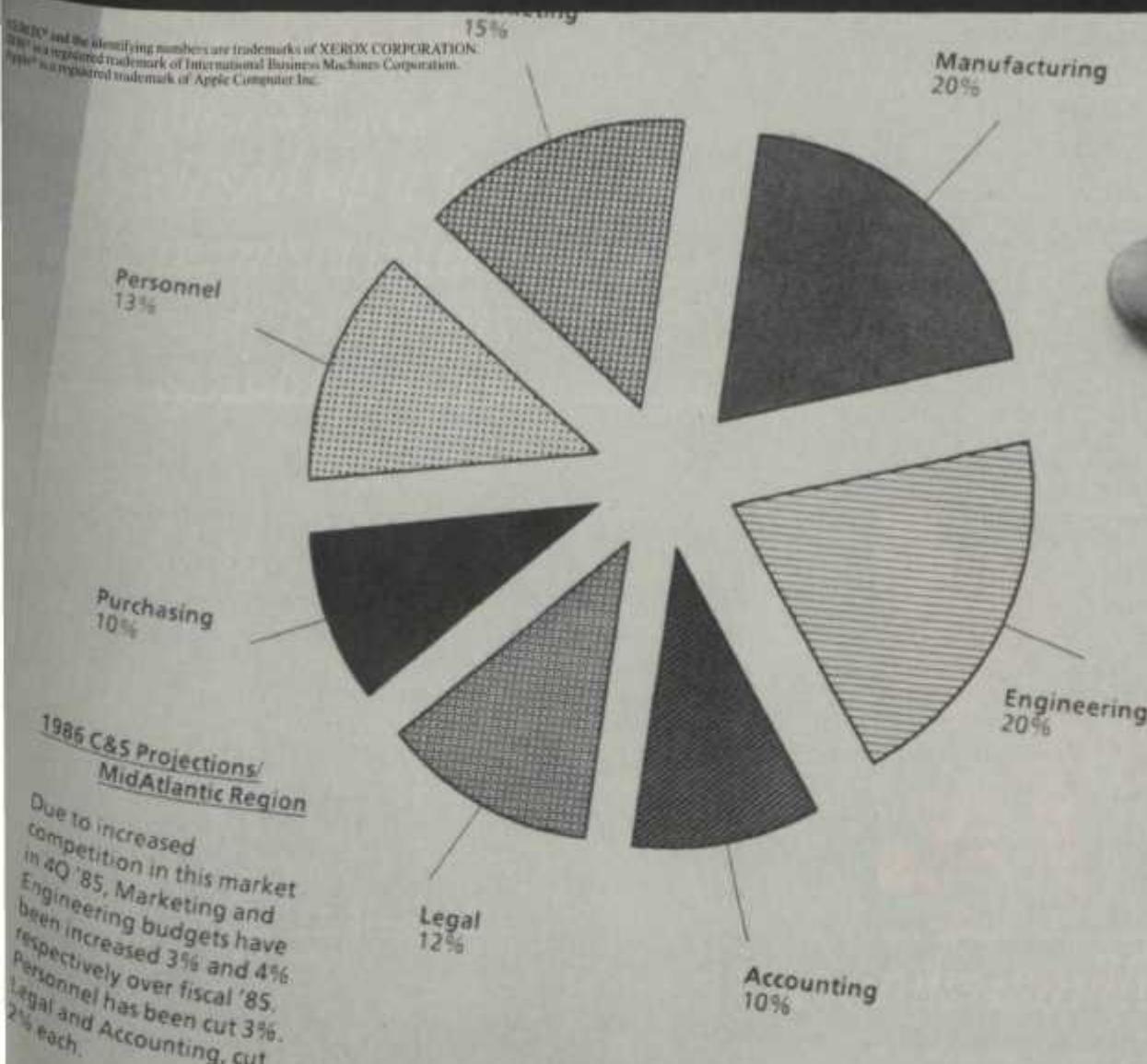
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Small Business Report

A Chance At The Federal Market

Businesses that fear they are too small to be noticed by federal buyers will soon have another way to get the attention of government procurement officers—and, in the process, have a better crack at winning some of the \$24 billion in contracts awarded annually to small firms.

This fall Donnelley Information Publishing, a Dun and Bradstreet Corporation subsidiary, will publish its *Small Business Procurement Planning Directory*—a listing of companies that either have done business with the federal government in the past two years or that tell D&B they want to in the future.

Entries will be listed according to 1,200 standard industrial classification codes.

The directory will be distributed free to all federal contracting officers and program/project managers, as well as to major city, county and state purchasers and prime contractors.

For further information call Donnelley Information Publishing at (800) 447-4454.

A Call For Visionaries

The Commerce Department is accepting nominations for recipients of the National Medal of Technology, a presidential award given to technologists from small and large U.S. companies that have made distinguished contributions to society through the advancement of technology.

Many award winners have come from small and once-small companies.

Nominations for medals to be awarded in 1988 close July 31. Information can be obtained by writing: National Medal of Technology Nomination Evaluation Committee, Room 4824, U.S. Department of Commerce, Washington, D.C. 20230.

Conference Taking Shape

Getting noticed by procurement officers; gearing up for the White House Conference; grappling over the future of the SBA.

Sen. Robert Kasten (R-Wis.) addresses the Small Business Council. Right: Catherine S. Hiler, acting executive director of the White House Conference on Small Business.



PHOTO: T. MICHAEL KEZ

U.S. Chamber of Commerce Small Business Council members hope to play a key role in the White House Small Business Conference, says Jack Rentschler, president of Rentschler's Standard Truck Stop, Sioux Falls, S.D., and a council member. Half of the council's members have been chosen as delegates to the conference. Though they are only a small percentage of delegates, Rentschler notes that they are well organized and well prepared.

He told council members attending a special White House briefing in late April that recommendations of the August conference will guide federal small business policies and legislation into the 1990s. The briefing was held as part of the Chamber's annual meeting.

Sen. Robert W. Kasten (R-Wis.), a speaker at the briefing, told the attendees that his proposal for federal pre-emption of a hodgepodge of state liability laws will make it easier for small firms to get product liability insurance. This issue had been identified by preliminary small business conference meetings as a top concern.

The White House Conference agenda

will be further refined at six special regional meetings this month. (See "Taxing Uncertainties," page 48.) Those meetings will update delegates on the status of issues slated for discussion at the national conference. Regional meetings will be held in Washington, June 10; Boston, June 13; Chicago, June 17; Atlanta, June 20; Denver, June 24; and San Francisco, June 27.

Going The Private Way

Government contracts awarded to private sector firms for operation of public services will double in number in each of the next several years, according to Touche Ross & Co., the national accounting firm. Such forecasts are one basis for small firms' interest in new opportunities spawned by privatization.

The first national conference to examine the privatization phenomenon is scheduled for June 24-25 in New York

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Small Business Report

Going The Private Way

City. Sponsored by the Privatization Council, the conference will address opportunities that are created when government seeks private sector assistance in the management of government assets. The council is made up of two dozen companies interested in promoting use of the private sector for public services.

Sessions are planned on operating health care facilities, transportation systems, waste management, energy generation, water treatment and supply, correctional facilities, sewage treatment and hazardous waste management.

Further information can be obtained by writing the Privatization Council, c/o Institute for International Research, Suite 1105, 310 Madison Avenue, New York, N.Y. 10017, or by calling (212) 883-1770.

Heated Debate Over The SBA

Do Washington policymakers serve the economic interests of the nation's 14 million small businesses by maintaining the Small Business Administration as an independent federal agency?

That question is being hotly debated in Washington following a Reagan administration decision last winter to seek congressional approval to eliminate some SBA programs and make the 33-year-old agency part of the Commerce Department. The administration says the proposal is a consequence of its policy of reducing federal budget deficits without resorting to higher taxes.

Says Charles F. Heatherly, newly appointed SBA acting administrator and one-time official of the National Federation of Independent Business, a small business advocacy group: "Moving the SBA has to be included in any serious deficit reduction package. My job is to explain how moving the SBA fits in with small businesses' No. 1 priority—federal deficit reduction."

Heatherly argues that many of the SBA's best-known programs, like guaranteed and direct lending, "are just middle-class entitlements the nation can no longer afford."

Heatherly says it is hypocritical of business people to press for elimination of a host of social spending programs, while being unwilling to give up a symbol of government's special treatment

THE NATION'S BUSINESS

Charles Heatherly, the acting SBA administrator, wants to abolish his job. Under a Reagan administration proposal, the SBA would be folded

into the Commerce Department, but many business organizations are fighting to keep the agency independent.

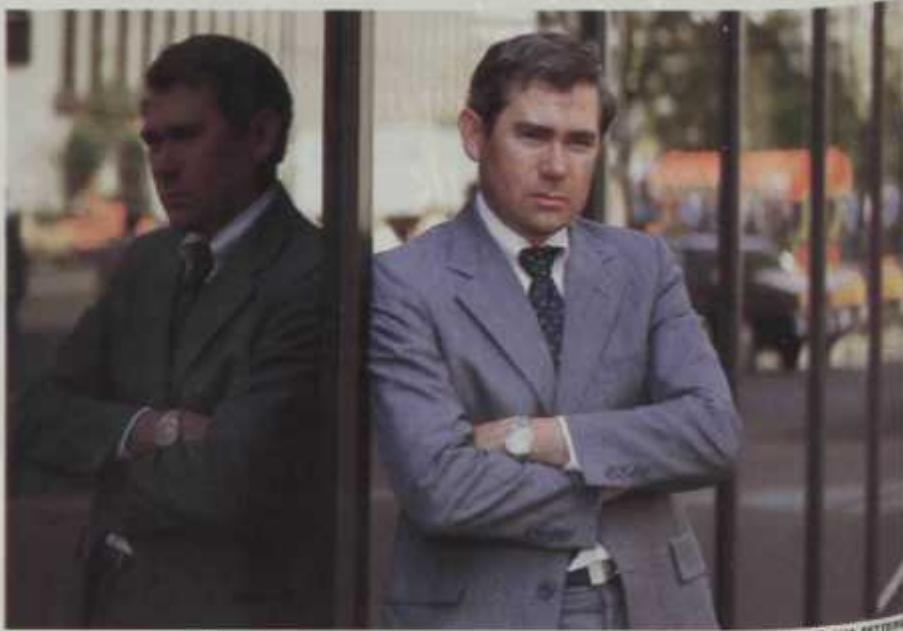


PHOTO: PAUL FETTER

of small business—SBA's independent agency status.

The U.S. Chamber of Commerce, the nation's largest business federation, opposes the transfer. Says Thomas E. Donley, director of the Chamber Small Business Center: "The proposed transfer is not a cost-cutting move but a political decision. An independent small business advocacy agency is essential to counter the big business, big labor, big government bias of other departments. Putting the SBA in the Commerce Department could result in a less aggressive advocacy of small business interests."

Heatherly says only a fraction of the nation's small firms used SBA programs last year, but all companies could benefit from having interest rates lower than they are now—and that, he says, could happen if budget deficits are smaller than forecast.

He says most small business persons outside Washington do not care where the SBA fits in to the federal bureaucracy.

What they are interested in, Heatherly says, are important issues like interest rates, taxes, access to capital and government procurement.

But small business activists and advocacy groups that keep close tabs on small business issues through Washington representatives and a nationwide network of companies are nearly unanimous in their opposition to the move.

In a letter to President Reagan, seven such advocacy groups threatened the White House with loss of their sup-

port in its battle to cut federal spending, unless the administration drops plans to consolidate the agency into the Commerce Department.

Opposition also comes from some members of two congressional committees that oversee SBA activities. Further indication of the divisions created by Heatherly's desire to kill the agency has been by his firing of a number of SBA political appointees whom Heatherly believed opposed the move.

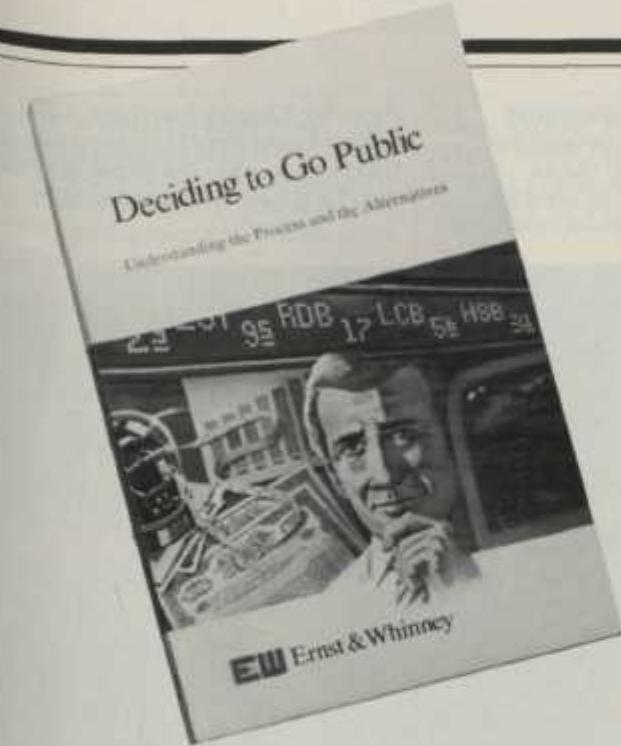
Brickbats aimed at the administration's small business policies, Heatherly says, illustrate what he calls an "iron triangle" of self-interest. The triangle involves members and staffs of congressional committees, the SBA bureaucracy, and the infrastructure of small business advocates and others who benefit from their special knowledge and use of SBA programs.

Heatherly says elements of that triangle of interests oppose the move because it is seen as a threat to their influence and power, not because the plan is a bad one.

That point of view does not seem to be held by delegates to the upcoming White House Conference on Small Business. Polling of delegates at preliminary state conferences indicates that keeping SBA independent is as important to them as cutting budget deficits.

Whether Heatherly achieves his ambition of becoming the first undersecretary of commerce for small business may well depend upon the success he has in drumming up support at the conference for moving the SBA to the Commerce Department.

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COVER STORY

Strategies For Family Firms

By Sharon Nelton

From its original woodworking business, the Gueli Organization diversified into such areas as construction and real estate and became a \$30 million-sales company.

Founder Charles Gueli, Sr., (left) brought sons Robert (center) and Charles, Jr., into the Brooklyn firm, along with Robert's wife, Connie.



When Michael W. Rice succeeded his father as president of Utz Quality Foods, Inc., it was a nice little potato chip and pretzel company with 325 employees and an annual growth rate of 5 to 10 percent. From its location in Hanover, Pa., it served three markets: Baltimore, Washington and south-central Pennsylvania.

Now, nearly eight years later, Utz is a *bigger* nice little company with 550 employees and an annual growth rate of more than 20 percent.

Why has this family business, founded by Rice's grandparents in 1921, grown and prospered so?

Because Rice, 43, did some strategic planning.

First, he decided he wanted more rapid growth. "My grandfather and father were content with a slow rate of growth," he says. "They liked to control things very closely and felt that if they grew faster, they'd lose the control. I felt if you developed your managers properly, you could achieve growth but still maintain the quality and basic strength that got you where you were."

He expanded the company's geographic reach to encompass Virginia. He added new products, including corn chips and other corn snacks, because he could see that corn-based snacks were

gaining popularity in the mid-Atlantic region. He stepped up marketing and, to make Utz more manageable, he bought out a sister's interest in the company, leaving himself and his mother, Arlene Utz Hollinger, as sole owners.

One thing he did not change was quality. Utz snack foods are more costly to produce, but Rice believes he has a better product than most of his competitors.

Rice has proved to himself what a number of other business owners are coming to learn—that strategic planning in family businesses pays off. Most of the planning concepts involved

So far so good: Your business is thriving. But how do you keep it that way—and in the family—over the long term? One answer is to come up with a judicious strategic plan.

apply to nonfamily enterprises, too. Strategic planning should not be confused with day-to-day operational planning, advises William P. Anthony, professor of management at Florida State University.

In his recently published *Practical Strategic Planning* (Quorum Books, Westport, Conn.), he says it includes five key elements:

- Long-term focus, usually three to five years but sometimes as long as 20.
- An understanding of the outside environment in which the business operates.
- Involvement of top management.
- Commitment of large amounts of organizational resources.
- A setting of direction for the organization by focusing on its identity and its place in a changing environment.

Anthony says a good strategic plan can help a company answer such questions as: Are we growing enough? Are some of our products and services obsolete? Should we add new ones? What type of personnel should we hire?

Charles Gueli, Jr., 40, chairman of the Gueli Organization, a diversified family-owned business in New York, says he found that when members of his family simply talked about their hopes and dreams for the company, it often made them better prepared to take advantage of opportunities that arose. Since making that discovery a few years ago, Gueli has instituted more formal planning procedures and is working to improve them.

Matthew J. and Richard J. Lamb, brothers who own Blake-Lamb Funeral Homes, Inc., in Oak Park, Ill., have turned to strategic planning to help them remain competitive in a fast-changing industry. They are also using it to help ensure that their business stays in the family.

Marvin "Mickey" Weiss has used strategic planning to weather the bad times that have beset the steel industry in northern Indiana, where WiseWay Super Food Centers, his independent supermarket chain, is located. Over a

When Michael W. Rice took over the family snack food company, Utz Quality Foods, of Hanover, Pa., he increased its annual growth rate

substantially through aggressive marketing and introduction of new products. Wife Jane Rice is the company's public relations director.



PHOTO: BLAIR SEITZ

2½-year period, he phased out the four least profitable of his eight stores, losing only a third of his volume in the process. Now the company is ready to expand again.

Other families do strategic planning because their business has reached a stage when plans must be made if the business—and consequently the family—is not to suffer. Herb H. and Kenneth Seilkop of Economy Pattern & Castings Company, a Cincinnati firm that serves the foundry industry, say they finally decided they had to grow.

"We're too big to operate as a little

company and too little to operate as a big company," Ken says of the \$4.5 million-sales firm. He and his brother have brought in an outside board of directors to help them clarify and achieve their strategic objectives.

Harvey J. Beaudin did no strategic planning for Miles Fox Office Products Company, in suburban Detroit, throughout the 1970s. Even during Detroit's darkest days, the office supply industry was booming—and it still is. Miles Fox (named after the founder) grew fast enough to absorb three of the four Beaudin children and has now outpaced even their ability to manage it without becoming more professional. It

COVER STORY

Strategies For Family Firms

Brothers Matthew (center) and Richard Lamb (right) incorporate the next generation into strategic plans for Blake-Lamb Funeral Homes, of Oak Park, Ill. They have chosen Matt's

daughter, Rosemarie, as chief operating officer. Two of his other children, Matthew IV and Colleen (left), hold other managerial positions.



PHOTO: PAT CORBELL

had 16 employees and revenues of \$660,000 in 1968, the year Beaudin bought it; now there are over 70 employees and annual revenues of \$12 million. The Beaudin family is using strategic planning to create a more professionally run organization.

"A strategic plan is a business' formula for success," says John L. Ward, professor of free enterprise at Loyola University of Chicago and author of *Keeping the Family Business Healthy*, to be published by Jossey-Bass, of San Francisco, next fall.

Michael J. Kami, of Corporate Planning, Inc., a Lighthouse Point, Fla., consulting firm, suggests that the phrase "strategic planning" be abolished because it smacks of reports that are put together and then ignored. He prefers to call it "strategic management with strategic thinking."

He explains: "'Management' is doing something, and 'thinking' means don't be stupid."

Though strategic planning in publicly held corporations is concerned only with the needs and interests of the business, John Ward points out that there is a second dimension to such planning in family businesses: the needs and interests of the family.

With time, for example, Mike Rice

may find that planning does more than help the Utz company improve its performance. It may also help him, his mother and his wife, Jane—Utz's public relations director—transfer leadership

WiseWay supermarket chain founder Mickey Weiss (left) has been succeeding against strong competition in northern Indiana for

of the company to the fourth generation.

Fewer than 15 percent of family businesses stay family-run that long, according to Ward. "The average life ex-

more than 40 years. Now he is passing on his business savvy to son Donald, who owns one store in the chain."



PHOTO: PAT CORBELL

Family businesses with the most staying power are those that can regenerate themselves with new strategies, according to John L. Ward,

of Loyola University of Chicago (right). Here he offers some guidance on a business start-up.

pectancy of the once very successful family business is 55 years," he says. After that, they either close or change hands.

"Perpetuating the family business is the most difficult, most challenging management task that anybody can undertake," contends Loyola University's Ward. He has conducted research on 200 family businesses, and, he says, "The secret to keeping the business in the family is to take the long view—to think and plan strategically."

Ward is interested in helping family businesses avoid living out the "shirt-sleeves to shirt-sleeves in three generations" syndrome in which the first generation builds the business, the second maintains it, and the third loses interest in it. Sometimes, the second generation milks the business, consuming all its wealth so that nothing is left for the third generation.

Family businesses that have been most successful over the years, Ward says, are those that have found ways to regenerate themselves with new strategies each time they reach a plateau.

In a family business, "you're dealing with two different issues," says Matt Lamb, board chairman of Blake-Lamb Funeral Homes. "A family is forgiving; a family is loving. A business is not forgiving; a business is bottom-line oriented. How do you really meld those two together and still have a successful business and a loving family?"

Business people like the Lambs, who include the future of the family itself in their strategic planning, find it not only results in a better business but also makes it easier for family members to clarify their roles in and out of the business, helping them to face directly such touchy issues as who will own and run it.

Matt and Dick Lamb bought their 100-year-old funeral home company from their father, who had acquired it from the founding Blake family in 1928. The 87-million-a-year firm includes 11 metropolitan Chicago funeral homes.

The brothers began to formalize strategic planning about five years ago.

"We had gotten very aggressive in acquisitions, but we really felt the need to have an overall picture of where we were going and where the industry was going," says Dick, 45, the president. A decade ago, the Lambs began to see their industry moving from one of family-owned companies to one made up of large conglomerates.



PHOTO: PAT COWELL

In the past couple of years, competition from the conglomerates has become more and more aggressive, and the environment, says Matt, 54, has become "hostile to a family-type, small operation. One of the main decisions that we had to make was whether we wanted to sell out or to persevere in this kind of environment."

They decided to persevere.

But they wanted help, and two years ago they created an advisory board of three Chicagoans in unrelated fields: Schwinn Bicycle Company President Edward R. Schwinn, Jr., because of his experience in running a family company that had undergone many changes in recent years; Ronald L. Taylor, president of the Keller Graduate School of Management, who could bring an academic overview to the operation; and Mark A.

Levy, a restaurateur and real estate developer, for his knowledge in acquisitions, service, quality control and personnel development. Levy is in business with his brother, a fact that was important to the Lambs, who wanted to know more about how other brothers with different interests get along in a rapidly growing company.

"The most important thing the advisory board does for us," says Dick, "is to make us focus on the really important things for our future rather than strictly on putting out fires today."

"We found we could no longer just be in the business of providing caskets, limousines, funeral facilities and funeral services. We found that in the light of the changing environment, changing competition and new ideas, we were really in the business of providing services to families at the time of a death."

Their board has helped them build on

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Strategies For Family Firms

COVER STORY

Louisville Jeep dealer Thelma Dunlevy (foreground) doubled sales the year after she took over Hausman Motor Company. Five of the six other family members in the firm are (from

left): Kenneth Gillespie; Loretta W. Hausman; Daniel Dunlevy; Joan Campbell; and Charles Dunlevy. Missing is Thelma's daughter, a part-timer still in college.

the strength of outreach services that they were already offering, such as programs to help people cope with the death of a loved one. They have also moved into joint ventures with cemeteries and a flower company. And they are developing a computer software business-management package and insurance programs that they expect to market to new customers—other funeral homes.

Blake-Lamb is growing 25 percent a year, but the Lambs are keeping in sharp focus the vision of their company as one that can respond to new ideas and still treat grieving clients as individuals.

Simultaneously, the Lambs have been paying attention to developing the company's future management. Three of Matt's four children have chosen to join the company, and one of them, Rosemarie Lamb, 29, has already been singled out as the successor in leadership. As chief operating officer, she is running the company on a day-to-day basis, and Matt and Dick are beginning to involve her in developing the programs for growth as well.

Within the past few years, Matt's family has periodically held structured meetings in which both family issues and business issues are discussed. They get such items on the table as why one family member is paid more than another and why the oldest daughter was chosen chief operating officer.

"Everyone has to leave their egos and prejudices outside the room," says Matt. "Then you just get into it. There is never anything unsaid between us."

Dick's five children are younger, the oldest being 20, and it remains to be seen whether any will join the family business. The family does not have formal meetings yet, but there are discussions around the dining table. Dick says, "The issues at this point are, Should I go into the business? What happens if I don't go into the business—will you still love me?"

Still open is the question of future ownership of the company—an issue the Lamb brothers say is hard to get into while the company is growing so fast. With nine children between them, however, the growth and increasing complexity of the company may make ownership decisions easier. Because the company has more facets to it and more subsidiaries, Dick says, ownership can be "shared in ways that were not possible for us in the past."



PHOTO: SCOTT GOLDSTEIN

Another set of brothers who are conscious of the need to account for the family in their strategic planning are the Seilkops of Economy Patterns & Casting, in Cincinnati. But their problems are quite different. It is uncertain whether anyone from the next generation will take over Economy.

Herb is 57, and neither of his two children, now in their 30s, expect to join the family business. Ken is 48; his older daughter, a college sophomore, has expressed interest in joining the company in an accounting position someday, while the younger, a high school senior, has indicated no interest.

Because of the uncertainty, the Seilkops have taken several steps to assure the continuity of the business. For the time being, their plan calls for the company to remain in the family but to be run by professional management if Ken and Herb are not available to run it. They have brought in an outside board of directors empowered to see that the company has good management. And they have identified their vice president, C.B. Green, as their successor, if the board approves.

In families where succession is uncertain or family members are especially young, reliance on trusted lieutenants like Green can be vital. At 27, Donald Weiss is the youngest of four Weiss children and the only one involved in WiseWay food stores. He is the clear-cut successor. But his father, Mickey Weiss, is 63, leaving a larger-than-usual generation gap and, although Mickey plans to be around

awhile, there is some question about whether there will be enough time for him to train the younger generation.

"When there's a case where there's a big gap in ages, like my own," says Don, "nonfamily business members are very important—both for filling the gap between generations and also bringing in some professional management expertise." Mickey recruited managers from other chains who, Don says, have contributed their experience and given the company stability. Mickey and Don also rely heavily on their long-time vice president, Patrick O'Malley, who handles day-to-day operations. Don, who has a Columbia University M.B.A., has been able to learn much about the supermarket business under the tutelage of these valued managers.

Ask family business owners if they can recall a time when lack of strategic planning hurt the business, and most will say yes.

Mickey Weiss thinks he missed an opportunity by not getting into discount supermarkets earlier. He and his son will try to recoup by making their next store, now in the planning stages, a discount operation.

Ken and Herb Seilkop at Economy Pattern & Castings believe they missed out on good acquisitions they could have made if they had started strategic planning earlier.

Inability to come up with a new strategy, in fact, caused Wolferman's, a grocery chain based in Kansas City, Mo., to close its doors. It began as a downtown grocery store in 1888, when Kansas

COVER STORY

Strategies For Family Firms

Fast growth has forced Harvey J. Beaudin (left) to do more planning for his suburban Detroit business, Miles Fox Office Products Company. Managing the enterprise with him are

three of his children: Denise, marketing manager; Richard, executive vice president; and Kenneth, sales representative.

City streets were filled with horses, wagons and cowboys, and became the premier grocery chain in the area, offering high quality products, charge accounts and home delivery.

"It was a high-overhead business—that was one of our problems," says Fred Wolferman, whose grandfather and great-grandfather founded the company. After World War II, supermarkets came on strong, getting better at merchandising. The need for stores like Wolferman's dwindled. The stores were liquidated in 1972, four years after Fred Wolferman, now 41, went to work for the company.

"It would have taken a radical reorganization of the business to adapt it to the changing market," he says.

But he did keep a piece of the company: the famous, extra-thick English muffins that the family had been producing since the early 1900s. He went into the industrial real estate business, but he also went into partnership with the head of the old company's bakery to continue producing muffins for wholesale.

When his partner retired in 1976, Fred Wolferman quit the real estate business and went into muffins full-time. His wife, Kristie, is not actively involved in the business, but she came up with the strategic idea that put the company back on the map again. Do mail order, she urged.

Fred placed the first mail order ad in *Bon Appétit* in 1977, "and darned if it didn't sell a lot of muffins," he says. The ad launched Wolferman's into a venture that increases 30 percent to 40 percent a year, helping to boost the revitalized company's annual sales from \$600,000 in 1981 to over \$4 million last year. Now getting back into retailing, Fred recently opened two stores, each combining a restaurant with a specialty food shop.

Loyola's John Ward observes that among the family businesses that survive over the long term, you see a change in strategy with each new generation. The new leadership does not necessarily abandon the old strategy but often adds to it.

The Gueli Organization was launched as a woodworking company in Brooklyn 40 years ago by Charles Gueli, Sr., a master craftsman who learned his trade in Italy. When Charlie, Jr., joined the company in 1964, it was basically the same woodworking business his father had started, doing \$800,000 a year in sales with the help of 50 Old World



PHOTO: ANDREW SACKS

craftsmen. "They could build cabinetry better than anyone and always had a backlog of work," Charlie recalls.

Inadvertently, the company began to do other kinds of construction-related work, such as painting or drywall, simply because it was asked to do so by contractors who did not want those jobs themselves.

Only when Charlie was well-versed in the business did the Guelis actually start to seek clients for the new areas of work they were getting into.

Since Charlie, who has been chairman since 1976, joined the business, it has grown to seven companies involved in such fields as construction, architectural management and maintenance, all extensions of the original woodworking operation. Charlie's brother, Robert, joined the firm in the mid-1970s, to be followed by Robert's wife, Connie, who is in sales, and a cousin, Charles A. Gueli, who opened a Washington office and helped the company get started in the real estate development field, its big new growth area.

Charlie, Jr., feels the company has found its real estate niche in smaller commercial projects in suburban locations. In just three years, its holdings have grown to \$35 million. The Gueli Organization itself is doing \$30 million in annual sales and has grown to 140 employees.

Another successor who brought a new strategy to a company is Thelma Hausman Dunlevy, 55, who became president of Hausman Motor Company, a Louisville, Ky., Jeep dealership, after her father died in 1982.

Charles Hausman had been in business for 60 years and, says Dunlevy, "he had earned the community's respect for his integrity." That was an image she did not want to change, but she did begin to advertise much more aggressively and make the company more visible by sponsoring community events and participating in trade and community organizations.

Sales of new Jeeps jumped from 35 to 70 the year she took over. Now the dealership sells 100 annually, even though, because of the demographics of the area, then manufacturer's projections indicate sales should be only 32.

The Hausmans might have lost the opportunity to keep the business under family management if Dunlevy and her sister, Joan H. Campbell, who is office manager, had not pushed their way into the business. Dunlevy says their father was a "warm and loving patriarch." Their mother, Loretta W. Hausman, now 83, has been involved in the business in the office since the 1940s. Dunlevy says she and her sister, with their mother's help, convinced their father "that we could serve as a bridge to carry the business on into the fourth generation."

Even as small children, says Dunlevy, the sisters planned how they would run the company when they were grown up. It was a long time before Dunlevy's ambitions were realized, "because women weren't supposed to get into sales." She became a teacher first and did not join the family firm until

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COVER STORY

Strategies For Family Firms

A strategic idea suggested by wife Kristie helped Fred Wolferman rebuild the "Wolferman's" name in Kansas City and gain attention for it nationwide. The family name once

represented high-quality grocery stores; now it means extra thick and delicious English muffins sold by mail.

1977. Only six months before Dunlevy's father died could her mother persuade him to incorporate. Dunlevy and her sister got stock for the first time, and also for the first time, she says, "the tax lawyer, accountant and banker became acquainted with the daughters."

Now that it is her turn, Dunlevy is not leaving succession to chance. Seven of the 13 Hausman employees are family members, including three of Dunlevy's six children. Two of them, sons, are being groomed to take over. Meanwhile, Dunlevy says, "Mother, my sister and I have worked hard to show one and all that women can pick up the torch and carry it."

Members of the younger generation speak with special appreciation of parents who face up to the succession issue and start planning it early.

Richard M. "Rick" Beaudin, 31, president of suburban Detroit's Miles Fox, says "one of the things you've really got to give credit to my father for" is that he drew up a buy-and-sell agreement with his children as soon as Rick graduated from high school. "He wants to make sure the company stays with the family," says Rick.

By helping his son get a bank loan, Mickey Weiss has made it possible for Don to buy one of the WiseWay stores.

To begin the strategic planning process, Mike Kami advises, family business owners should collect their thoughts at 2 o'clock in the morning, when it is quiet, and put down three or four words that are most important for the business or for themselves.

He says: "Maybe it's 'security' or maybe it's 'power.' Maybe it's 'lots of money' or 'give my son or daughter a career.' What is the absolutely most important?"

Suppose you choose "lots of money." Then, says Kami, "maybe the plan should be to make the company profitable short-term and sell it to a conglomerate. If you say you want power, then you may want to run a good company and use the money to run for political office."

Once you have made the big decisions, he says, "then, derivatively, you make the little decisions." But your decisions cannot be contradictory, he warns. For example, you must choose either "quality" or "cheap," because each calls for a completely different strategy.

Family businesses tend to change leadership only every 25 or 30 years,



PHOTO: CHUCK KNEISE-BLACK STAR

notes John Ward. He says this can be a problem in a world where nonfamily firms change leadership more often and where, studies indicate, the average business life cycle (the move from start-up to maturity to early decline), which once tended to last 30 or 40 years, has dropped to less than 20.

It is not feasible for a family business to change leadership every 10 or 15 years, Ward says. But today's rapid pace does mean that a family business can no longer wait from one generation to another to change its strategy. "We need to see family business leaders who are able to bring to fruition two or three new strategies to their business every generation," says Ward.

For some family business leaders, this may be difficult, if not impossible.

For others, it is the perfect situation. Ward finds that some people are not satisfied by building one business to a point where they are wealthy and socially accepted. They like to keep on changing, because they love the challenges of managing and of change—even more than they love the products and services they have created.

Perhaps that is what keeps Mickey Weiss going. Since he started WiseWay in the early 1940s, he has outlasted the national supermarket chains that came and went in his Indiana area. He has outlasted many of his independent gro-

cery competitors. Now, with the help of his son, Don, he is preparing to outwit and outlast his discount competitors.

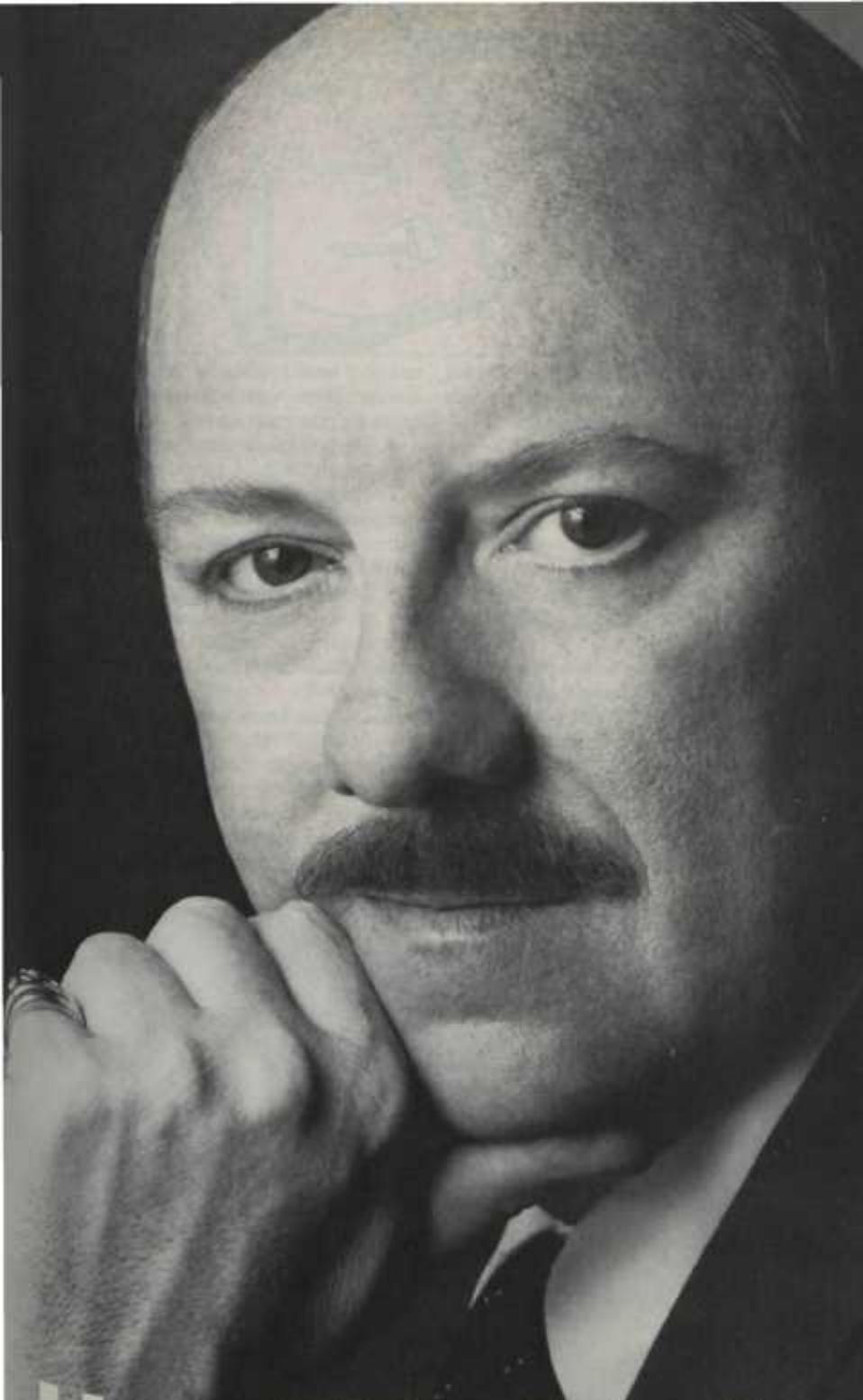
Mickey would never have been content to stop at age 45 and live comfortably on what he had built, says Don. "He is not a person who is happy with the status quo."

Whether new strategies are introduced by one high-energy business owner, by the younger generation or by top-notch nonfamily managers, they must be frequent enough and timely enough to meet the challenge of competition and change, experts say. At the same time, the leaders of the enterprise must be deft enough to meet family needs.

Sums up Loyola University's Ward: "The future of any family business depends on two key factors. There must be an atmosphere that encourages personal growth and harmonious succession. And there must be effective management with both short- and long-range views."

Neither factor, he cautions, comes about by accident. They require planning, commitment and investment of money and time now to reap the benefit in the future. ■

To order reprints of this article and the following one, see page 85.



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Business Health Checkup

By John L. Ward

Your business needs a health checkup every year for the same reason you do—to identify and head off problems before they become serious.

This business health checklist was developed to help you assess the strengths, weaknesses and general condition of your business and sharpen your goals.

The questions offer a review of good management principles. If your business had an active, meaningful board of directors, these are the questions your board would ask.

There are 65 questions. The first 52 apply to all types of privately owned businesses. The others are intended for owners who want their business to remain in the family for future generations.

Financial Analysis: Your Health History

1. Do you have an annual budget showing budgeted sales and expenses for each month to help you guide and control your operations?
2. Do you have monthly profit and loss statements by the 15th day of the following month to quickly compare actual performance with expectations?
3. Do you share your financial statements and conclusions with your key employees so they can contribute more to your success?
4. On your statements, can you clearly identify items that are overhead and those that vary directly with volume?
5. Do your financial reports

Yes No

tell you how profitable your various products or departments or types of customers are?

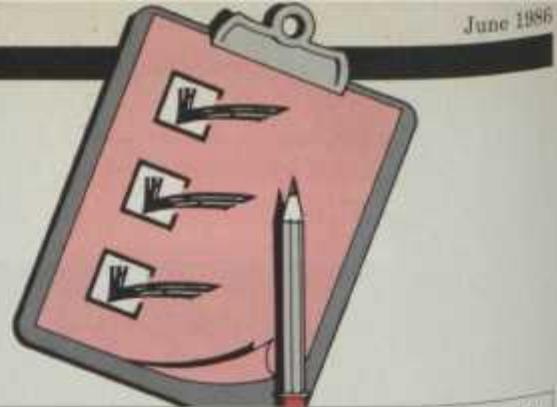
6. Do you know your return on investment?

7. Do you know how your ROI compares with your past performance and with industry standards?

8. Do you know how profitable you have been after adjusting for inflationary changes in sales price, materials/purchases costs and wages?

9. Do you know annually your specific real rate of return on your personal investments in money markets, stocks, shelters and so on?

10. Are you reinvesting cash in marketing, new products and new



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What kind of shape is your enterprise in? Answering the questions on these pages will help you assess its strengths and weaknesses—and your goals.

equipment more rapidly than in Yes No
salaries, bonuses and overhead?

11. Do you have a conscious strategic budget specifying each year how much you intend to invest in projects with long-term benefits?

12. Do you audit your strategic and capital expenses to determine if the original assumptions you made proved reasonable?

Market Analysis: Your Vital Signs

13. Have you clearly defined your market and how big it is?

14. Have you clearly defined who your key competitors are?

15. Do you have a good sense for your market share versus that of your key competitors?

16. Are you gaining market

share—that is, gaining sales faster than Yes No
key competitors?

17. Do you know which major customers, if any, are gained and lost each year?

18. Are the customers you are gaining more attractive long-term customers than those you are losing?

19. Have you attempted to identify and rank in order of importance the benefits (high quality, good service, on-time delivery, etc.) your potential customers most want from you and your competitors?

20. Is your quality position improving, relative to key competitors?

21. Compared to your key competitors, are you increasing your

marketing budget faster than Yes No
they are?

22. Are you offering new products and/or services faster than Yes No
your key competitors are?

23. Are your salespeople actively seeking and bringing new customers to you in addition to maintaining and expanding their older, established accounts?

24. Do you set sales targets, including business gained from new accounts?

Strategic Analysis: Your Fitness

25. Do you know where the economies of scale or leverage are in your business—where costs come down fastest with volume?



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ARCO

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COVER STORY

Business Health Checkup

26. Do you reward your people for gathering competitive intelligence—for example, competitors' catalogs, advertisements, credit reports and the like? Yes No

27. Is it clear whether your primary strategic purpose is to be a lower-cost, lower-priced competitor; a differentiated higher-quality, higher-priced competitor; or one that focuses on fulfilling the unique needs of a specific, well-defined market segment?

28. Do your competitors know that you are serious about your business and intend to win, even if at considerable expense and sacrifice?

29. Does your management share common assumptions on how attractive your industry and markets are—whether they are growing, where the new segments are and how tough the competition is?

30. Have you clearly agreed upon what you hope to be the best direction for future growth—new products, new locations, acquisitions or the like?

Organizational Analysis: Your Vitality

31. Do you have a complete, posted organizational chart?

32. Do you have an employee manual?

33. Do you have regular, efficient, well managed management meetings?

34. Do you have occasional meetings for all employees to communicate progress and plans?

35. Do you have two or three solid candidates for each top job, including yours?

36. Do you have a balance of people by ages—some older, some middle-aged, some younger?

37. Are you willing to replace and remove people? And have you done so in the last few years?

38. Do you have a formal developmental plan for your key people?

Cultural Analysis: Your Purposefulness

39. Does your business have a sense of purpose—a meaningful motivating reason for being? Yes No

40. Do you have a management philosophy that expresses the roles of employees, customers, suppliers, investors and community in your purpose?

41. Are your people genuinely willing to try things, make mistakes and even disagree with you?

42. Do your facilities look more like a busy, mature place of work than an art gallery, a sterile laboratory or a sweatshop?

43. Do you lead by example and actively promote ethics and honesty among all employees?

44. Do you provide awards and recognition to top performers?

45. Do you occasionally have a company celebration of a major success or tough task finally done?

Self-Analysis: Your Mental Attitude

46. Do you set attainable goals for others?

47. Do you evaluate people more by their specific, measurable results than by their style?

48. Do you trust people? Are others designated to open your mail and sign checks? Can others see the books?

49. Do you subject yourself to accountability through a board of directors or other peer group associations?

50. Do you seek excellent advisers—accountants, lawyers and bankers whose businesses are growing rapidly?

51. Do you formally review and reopen bidding for your advisory services (accountants, lawyers, bankers, insurance agents and especially directors) every three to four years?

52. Do you seek personal, outside growth and stimulation via civic and trade association involvement or professional activities with other business owners?

Family Succession Analysis: Your Endurance

53. Do you portray your business neutrally or positively at home—rather than only showing the frustrations and problems?

54. Does your family truly believe that any vocation is valued and that participation in the business is purely voluntary and hardly the last resort? Yes No

55. Do you conduct open family meetings discussing the status and plans of the family business?

56. Have you assured a lifetime of economic security for you and your spouse?

57. Do you have an exciting and active retirement planned?

58. Have you developed a firm philosophy of how to share the business' equity, control and salaries in the future?

59. Do you have pre-established rules for family participation in the business—for example, rules on education, work experience and specific job availability?

60. Has your successor been identified and his/her likely succession well communicated to the company?

61. Has your successor worked for others in the business successfully?

62. Has your choice of successor been reviewed by outside opinion—such as your board of directors or an industrial psychologist?

63. Has your successor had successful experience being solely responsible for a sub-business or major department or function in your business?

64. Is your successor so good that he or she could readily find at least a comparable job with another company?

65. Has a successor been clearly identified and developed for the *family* leadership role in addition to and distinct from the business leadership role?

Score Your Business' Health

Number Of "Yes" Answers	Condition Of Business
59-65	Excellent
52-58	Good
46-51	Fair
39-45	Poor
Less than 39	Critical

A Starring Role For Companies

By Henry Eason

Washington restaurateur Robert Giamo came up with a counterproposal when the Wolf Trap performing arts center in nearby Fairfax County, Va., wanted to post its program calendars in his American Cafes. The young marketing wizard, who had started his chain of 10 restaurants while he was still a Georgetown University student, knew he could do much more to help the center, one of the principal cultural organizations in the national capital area.

What he later accomplished is an example of the private sector's growing role in sustaining the arts in many communities throughout the country. Giamo and others are discovering that supporting cultural activities can also be good business.

Giamo and Wolf Trap publicists reasoned that the cafes' nouvelle American cuisine attracts the kind of person who patronizes the cultural performances at Wolf Trap's open-air Filene Center. Within a few months, the Giamo chain was running a promotional program that boosted sales of both meals and theater tickets. Buses began ferrying diners from most American Cafes to Wolf Trap.

The program gave students, elderly people and anyone else who lacked a car or wanted to avoid expressway traffic snarls a chance to enjoy first-rate entertainment—both classical and modern—in the lush Virginia countryside. Soon the lawns of Wolf Trap were filled with people dining on American Cafe-based pate, herb cheeses, apricot-stuffed chicken and Georgia pecan pie while listening to the National Symphony or the Wynton Marsalis Quintet.

"We feed people, and Wolf Trap entertains them," says Giamo. "It's part of the same evening. And we mention each other in our ads now—we both spend about half a million dollars on advertising annually—and double our exposure."

Business aid to the arts has worked well out on a gentle curve of the Ohio River near Cincinnati at River Bend, the summer park showcase of the Cincinnati Symphony Orchestra and numerous classical and popular groups. What they do with buses in Washington, they do with riverboats at River Bend, where hundreds of picnic basket-

Wolf Trap, a Washington center for the performing arts, faced an uncertain future when fire destroyed

Corporate assistance is crucial to cultural organizations like the Wolf Trap performing arts center. It can also be good for business.

its main theater. Local and national firms rushed to the rescue.



toting music lovers arrive via paddle-wheeler on a summer's eve.

The Fifth Third Bank of Cincinnati is sponsoring three entire seasons of entertainment at River Bend by providing cash gifts and innovative incentives for customers and employees who patronize the music festivals. The bank advertises River Bend performances at all its branches. If you purchase an individual retirement account, the bank will give you a subscription to River Bend. It also discounts tickets for employees.

"It wouldn't have been easy to operate without the bank," says Cincinnati Symphony Orchestra public relations director Robin Dias. "We actually made a little money last year." Other businesses are also helping, she says. Many firms purchase "gold cards," season passes to all concerts. Companies like the Miller Brewing Company have underwritten specific performances. Others firms buy tickets, set up tents and have corporate parties at River Bend.

In Chicago, the Ravinia Festival has operated for a half-century with direct business involvement. Executives serve on governing committees charged with

keeping the books, marketing and seeing to the numerous logistical details of putting on a summer music program. "We have lawyers providing legal services, bankers helping us with investment funding and accountants and advertising executives," says Charlis McMillan, Ravinia's public relations director. Collectively, businesses have played a "remarkable role in the growth of the festival, bringing the organization critically needed resources," says Ravinia Executive Director Edward Gordon. Donations account for about one third of Ravinia's budget.

Last season, the Sara Lee Foundation underwrote the opening gala of Ravinia's 50th season. Merrill Lynch sponsored a Fourth of July party at Ravinia one year. Another brokerage firm, Smith Barney, has also funded opening ceremonies. Numerous Chicago firms are eager to get into the act. Since 1981, businesses' financial support for Ravinia has increased 76 percent.

While the business-arts partnership is definitely flourishing, better commu-

A Starring Role For Companies

nication is needed between the two parties, says Robert Giaimo, the Washington restaurant-chain owner who responded to the Wolf Trap appeal for assistance.

Businesses should reach out to their local performing arts groups that "have needs that can be met without any great cost," he says. By the same token, he adds, cultural institutions should try to make greater use of the abilities of business people.

That is exactly what happened in 1982, when Wolf Trap's main theater burned to the ground.

Both local and national companies rushed to help. Recalls David Nellis, then public relations manager of Hecht's department stores, a major retailer in Washington: "Anyone who had ever spent an evening at Wolf Trap felt a loss." Cash came into the instantly created Fund for Wolf Trap, but it was not enough.

Nellis came up with a fund-raising campaign that marshaled numerous firms and individuals behind an effort that not only endowed Wolf Trap but provided public relations benefits for all participants.

Hecht's staged a "Save Wolf Trap Day," sold T-shirts and donated the proceeds to the fund. "The event raised about \$13,000, but it wasn't enough of a splash," says Nellis.

He met with Harry Rhoads, president of the Washington Speakers Bureau, a firm that arranges public appearances for famous people. Since he represents some of the biggest names in the country, Rhoads was able to add a touch of class. The two men, working with local television stations, came up with the idea of holding a prime-time televised celebrity auction.

"It felt good," says Nellis. The joint WRC-TV and WNVC-TV event sold dinners with sports figures, trips with media stars, vacations abroad and tens of thousands of dollars of donated merchandise. More than \$42,000 was turned over to Wolf Trap after the two-hour auction, allowing continued performances in temporary quarters until the new Filene Center reopened in 1984—long before it would have without the help of its entrepreneurial godfathers.

Such business assistance to the arts is of growing importance in preserving their accessibility to the public. The Business Committee for the Arts estimates that last year American firms donated more than \$600 million in cash and services to support museum exhibi-

THE NATION'S BUSINESS

Outdoor music halls, like River Bend in Cincinnati, benefit from a range of business support activities as well as

cash donations. Result: better programs and bigger audiences.



tions, musical and dance performances, sculpture in public places and a range of other performing and visual arts.

Barbara Lorber is director of a department at Hill & Knowlton, the big public relations firm that advises businesses on how to handle the public relations associated with donations. The New York-based Lorber says corporations have a right to gain recognition for their donations and that this fuels much of business' generosity. She says it makes for a healthy relationship between firm and museum or theater if "the corporate donor's communications objectives are met, the interests of its stockholders are promoted, the arts organization's programs and operations are funded, and its audiences are well served."

Now, Wolf Trap, the nation's only national park dedicated to performing arts, faces another financial challenge: cuts in the federal assistance needed to maintain its grounds and stage productions. The cry is again going out to businesses as Wolf Trap strives to sustain normal operations, fund a fledgling opera company and an indoor facility, The Barns, and nourish its outreach programs to develop young artists.

Some early responses are encouraging but, says Wolf Trap President Carol Harford, "If we don't have increased help from business, we cannot continue to offer the same scope of programs. We can't cover costs with ticket sales. We're committed to keeping the price of tickets within reach of anyone who can come." About 56 percent of Wolf Trap's \$10 million annual budget is de-

rived from ticket sales. Another 33 percent comes from private sources and the rest from the government.

Eastman Kodak Corporation this year became Wolf Trap's first "season sponsor," by providing cash and in-kind contributions. The Marriott Corporation and Wolf Trap joined in a venture to lure out-of-towners to the nearby Tyson's Corner Marriott Hotel for a cultural weekend featuring theater tickets at Wolf Trap and gourmet dinners at the hotel. American Telephone & Telegraph is performing free market research for park activities and Arthur Young & Company, a Big Eight accounting firm, is providing counseling.

Even Washington's small Kitchen Bazaar retail chain is helping by sponsoring a special fund-raiser at The Barns featuring the Preservation Hall Jazz Band and three New Orleans chefs serving Cajun food. And Moore Cadillac in Vienna provides luxury transportation for artists performing at Wolf Trap.

"People think of Washington as only the federal government," says Wolf Trap publicist Beverly Jackson. "We can certainly tell you Washington is also made up of businesses."

Patrons who settle back with their friends before a picnic supper on a grassy knoll and hear an orchestra tune up might want to raise a glass to the business community. ■

To order reprints of this article, see page 89.

SPECIAL ADVERTISING SECTION

Austria



The Austrian economy's strong showing in high tech and services industries is driven by the innovativeness of numerous small

entrepreneurial firms. Cities like Salzburg (bottom left) and Vienna attract almost as many business people as they do tourists, because of

the friendly attitude Austrians have toward international joint ventures and investment projects. Austrians are keen now on scientific projects.



PHOTOS: JUUL, AUSTRIAN NATIONAL TOURIST OFFICE, AUSTRIAN FEDERAL ECONOMIC CHAMBER AND AUSTRIAN PRESS AND INFORMATION SERVICE.

In search of a dynamic economy? Take a look at Austria.

The Austrian economy grew 3 percent in the first three quarters of 1985, almost one percentage point faster than the West German economy. Merchandise exports contributed more strongly than expected to gross domestic product growth, because it was possible to gain greater market shares abroad, especially in the United States and in some Eastern

European countries. Improved price competitiveness was probably the most important reason for this development, although export financing could have played some role. Inflation was a scant 3.5 percent, and unemployment amounted to only 4.7 percent.

Austria continues to be one of the Organization of Economic Cooperation and Development's top achievers, says OECD Secretary General Jean Claude Paye. He

particularly praises Austria's "social partnership," a complex system of providing for the peaceful settlement of labor-management disputes. Last year, time lost due to labor strife amounted to only seconds per employee.

Austrian-American Trade

Austria's trade relations with the United States have been profitable for both coun-

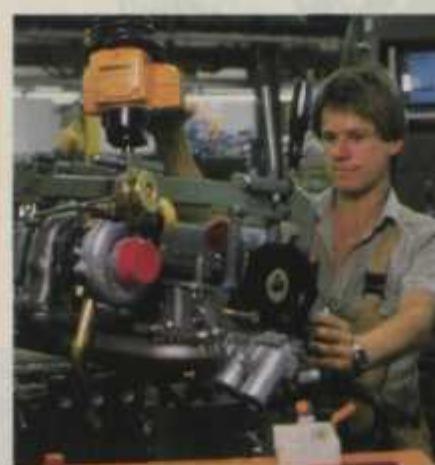
A U S T R I A

Austria's "social partnership" is at work at this BMW plant and throughout the economy, uniting workers and management behind common goals.

tries in recent years. In 1985, Austria exported \$797 million worth of goods to the United States and imported \$775 million in American wares—a nearly balanced relationship.

The 28 percent increase in Austrian exports did, however, bring a reaction in the United States, where some of Austria's products—such as steel, textiles, apple juice, shoes and cheese—are facing congressionally proposed protectionist quotas and other restrictions. It is only fair to say that the increase in Austrian exports is due in large degree to the high dollar against the Austrian schilling in recent years.

On the other hand, Austria has worked hard to increase exports to the United States. The Austrian Federal Economic Chamber, with trade commissions in New York, Chicago, Washington, Houston and Los Angeles, is trying to create markets for Austrian goods. The chamber is conducting a new publicity campaign to encourage many business relationships between Austrians and Americans. Its activities include more business opportu-



nity meetings, increased participation at conferences and exhibitions, a new trade bulletin published by the trade commission in New York and an increase of commission staff, including people with scientific and technical backgrounds.

Austrian trade commissions are not only promoting Austrian goods but also are always ready and willing to help.

American companies export to Austria. Last year, the United States became Austria's fourth biggest trading partner, after West Germany, Italy and Switzerland. Austrians hope to expand this relationship in a way that nourishes both economies.

Export Controls

In December, 1984, the Austrian Parliament amended its foreign trade law to provide a legal basis to increase control of technology flows and to criminally prosecute illegal technology transfers. The amendment requires Austrian companies to abide by the conditions of export as formulated by the country of origin. The amendment also allows the Austrian police to enforce these conditions when the goods are in Austria. Violators can be criminally prosecuted and face a sentence of up to two years in jail in addition to a fine of as much as \$50,000. These new export controls are not only complementary to those in the United States, but also are among the toughest in the world.

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mate Austrian companies by encouraging the Austrian government to better protect sensitive technology. This protection and strict enforcement should build confidence and allow for a continued flow of technology to Austria for legitimate internal technological development.

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The Austrian banking system is especially convenient and serviceable to foreign clients. The Austrian schilling is fully convertible, and controls are minimal—usually for the record only. The National Bank (Austria's central bank) permits the transfer abroad of dividends and capital from approved investments as well as interest and principal from approved loans. Capital gains are subject to a 20 percent withholding tax before transfer. Profits, dividends, interest, royalties and fees on approved investments may be transferred without any restriction. There are no restrictions on the repatriation of capital for previously approved investments. The same applies to approved loans: Repayment of principal is permitted. Austria's bank secrecy is among the tightest in the world and is supported by law.

One of Austria's leading financial institutions is the Austrian Raiffeisen Banking Group, which includes GZB-Vienna and a range of specialized institutions such as the Raiffeisen Building Society, the Raiffeisen Insurance Group and Raiffeisen Leasing, Inc.

The group is the leading lending institution for the agricultural and forestry sector—with a market share of 62 percent—and a major bank for small and medium-sized companies. It is also one of the sizable lenders for Austria's huge tourism industry.

The Genossenschaftliche Zentralbank AG (GZB-Vienna) is the central banking institution of the Raiffeisen Banking

Vienna, one of the world's most romantic cities, is also a bustling commercial hub. It is not only the

urban heart of Europe, but also offers pleasant recreational settings that draw executives from around the

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Group. With a balance sheet totaling U.S.\$9 billion, this full-service bank is also one of the largest credit institutions in Austria.

One of GZB-Vienna's major activities is foreign business, which has been growing continually more important over the past few years.

GZB-Vienna maintains business rela-

tionships with about 3,000 correspondent banks in 130 different countries. In view of Austria's increasing involvement in foreign trade, the international business of GZB-Vienna and of the regional Raiffeisen banks is expected to develop still further. Clients have at their disposal not only the GZB-Vienna holdings in foreign banks in London, Zurich, Luxembourg, Toronto and



Kuala Lumpur, but also GZB representative offices in Hong Kong, New York, Milan, Singapore and London.

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Austrian Innovation

Austria, traditionally strong in science and technology, last year became a full partner of the European Space Agency and joined the European high tech corporation EUREKA. Ten percent of Austria's federal budget goes to expenditures for science and research. Austria is noted for its research in environmental technology. In order to intensify international technological cooperation, the government sent a scientific attaché to Washington.

Austrians have always been very creative, and much of their inventiveness has come from prospering small and medium-size businesses. Many have used advanced technologies to develop specialized custom-tailored products that allow them to conquer rather strong positions in international market niches. This seems to be the right innovation strategy for a small country like Austria, which would have difficulty developing and commercializing capital-intensive, advanced mass market products that would face heavy worldwide price competition. Austria's comparative advantage lies in highly specialized small world markets where basic technological advances, such as in microelectronics, could be used in a highly innovative way. In these markets, quality is more important than low prices. This is particularly important for Austria, which wants to maintain and even improve its rank among the nations with high per capita incomes.

Austrians are trying to facilitate the foundation of start-up companies using applied research. It is particularly important to assist these inexperienced and small companies to find their way into international markets because in most cases Austria's domestic market is by far too small to break even with a highly specialized product.

Joint ventures with foreign companies and venture capital have become a promising tool for achieving this aim. In many

Harnessing science and engineering to commerce is what keeps much of Austria's economy humming along at a healthy growth rate. Its

manufacturers have a commanding position in many chemistry and heavy machinery markets. Below left is an aerial view of the huge Chemie

Linz facility. Austrian technology is also at work in the North Sea bore shaft platform at right.



Cases it is the American market in particular that is decisive for a company's survival and success. Therefore, the Austrian government as well as venture capital firms and manufacturing companies are strengthening their link to the market in the United States. American venture capitalists are already involved with Austrian venture capital firms.

Austrian research institutions are finding some new forms of cooperation with American research firms. Austrian Federal Economic Chamber programs help Austrian companies find appropriate American partners for joint ventures in the United States and in third country markets.

Foreign Investments In Austria

Gerald Y. Genn, head of Vienna-headquartered Industrial Cooperation and Development, a government agency that promotes foreign investment in Austria, got firsthand knowledge of the investment climate in Austria as a General Motors executive. He negotiated an agreement with the government to locate a \$500-million engine and transmission plant on Vienna's outskirts. He cites several advantages for companies planning permanent investments in Austria. "Key among these are the availability of highly qualified engineers and a skilled work force; low manufacturing costs; the lowest strike rate of all industrialized countries; and easy and duty-free access to all major European markets," he says.

"Austria is the duty-free gateway to a market of 350 million Europeans—the EC and the EFTA countries, which account for 40 percent of world trade. Austria's tradi-

tional ties with Eastern European countries provide additional market opportunities.

"Complementing these inherent Austrian advantages is an ingenious incentive program. Under this program, investors can receive cash grants of up to \$5,000 a job, plus up to 40 percent premium on machinery and equipment, plus special loans at highly subsidized interest rates. Alternatively, an investor can choose a package in which his new facility, including machinery and equipment, is built to his specifications and leased to him, with the government picking up all lease costs for up to three years. This program has already proved to be one of great interest to many investors."

The economic outlook for this year in Austria is favorable. Entrepreneurs are optimistic and are likely to invest heavily. While Austria's economy was export-driven in 1984 and 1985, the future will show more domestic demand as a function of growth. Austria's current account will show a small deficit, perhaps \$300 million, this year.

Already 240 Austrian firms, employing more than 29,000 people, are owned by Americans.

Vienna

In recent years, Vienna has emerged as one of the dynamic centers in Europe, combining international flair with long-lived tradition. Already well known for its rich cultural life and as the seat of some of the United Nations organizations, Vienna has an economy that has developed rapidly. The city has grown into an impor-



tant center for global business transactions, a place where it pays to invest. Foreign companies increasingly choose Vienna when they decide to get a base in the heart of Europe.

Hardly any other city in the world can compare with Vienna in terms of clean air, parks and variety of leisure time and sports facilities. Situated near the Alps, Vienna offers easy access to ski slopes and to lakes.

The globally renowned "social partnership" is a typically Austrian way of handling conflicts—not by strikes but by negotiations. Labor relations in Vienna, as in the rest of the country, are based on sensible talks between employers and employees. Vienna has an abundance of qualified workers, engineers and specialists. Consequently, companies like Cincinnati Milacron, Philips and Honda—to name a few—have decided to locate facilities in Vienna.

The atmosphere of success that characterizes business in Vienna stems from a combination of tradition and optimism for the future. A municipal administration that talks business has attracted large corporations and many medium-sized foreign companies to Vienna.

Interested investors should contact the Vienna Business Promotion Fund for a free information kit. It is a central contact point that offers free and comprehensive services to investors. This fund is supported by the Municipality of Vienna, associations of employers and unions, and two banks. From issues of financing and subsidies to site selection, export promotion or trade and tax law, the fund gives foreigners useful advice. ■

Spurs For Innovation

By William Hoffer

Cathleen Asch, Alan Wlasuk and the other 16 employees of American Telephone & Telegraph's Epicenter subsidiary in Indianapolis are

risking as much as 25 percent of their salaries on the success of their computer imaging venture—but they can also reap big rewards.

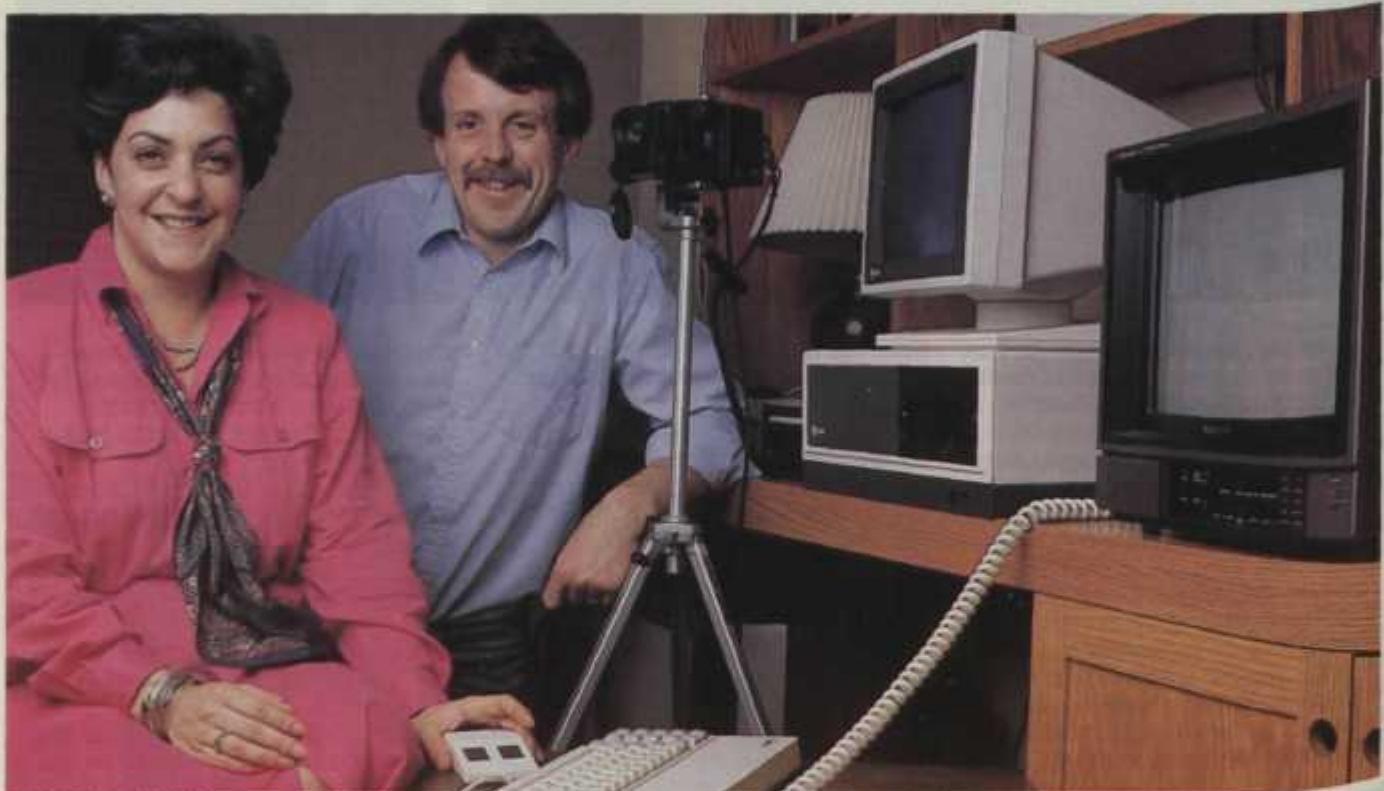


PHOTO: JOHN STARKEY—BLACK STAR

The 18 employees of Epicenter, a new small business in Indianapolis, can contribute to the firm's operating budget by forgoing up to 25 percent of their salaries.

Their return on the investment could be as high as 800 percent if the company does well with its product, an improved system for computer imaging. On the other hand, the salary money could be lost if the venture does not succeed. "This is a high risk/high reward situation," says business manager Cathleen Asch.

Epicenter's genesis is the same as that of most other small businesses—a conviction that the market would welcome a new or improved product. Alan Wlasuk and Hans Mattes, engineers specializing in research, developed the technical concept to provide high density color computer resolution using only a fraction of the database previously

needed. But, instead of seeking out venture capitalists or borrowing money to launch a business, they contacted a key official in the company where they were already working—American Telephone & Telegraph.

They went to Bill Stritzler, corporate vice president for venture technologies, who made the commitment that resulted in creation of the AT&T Electronic Photography and Imaging Center (informally referred to as Epicenter) to produce the systems proposed by Wlasuk and Mattes.

The two engineers were able to function as creative entrepreneurs developing and bringing a product to the marketplace, while AT&T retained the services of two highly innovative employees and gained a new product.

Epicenter's evolution as a business is a classic example of the workings of the increasingly popular process known

as intrapreneuring, in which more and more companies allow highly creative employees to function as entrepreneurs within larger companies. One major factor in launching the intrapreneurial trend was the "brain drain" through which companies lost the services—and contributions—of employees who felt their creativity was being stifled in a corporate atmosphere.

Such creativity is crucial to the continuing success of many firms.

Bob Gubrud, business planning manager for the Consumer Products Group of 3M Company, says, "Unless we become more effective in innovation, we simply are not going to be as competitive or vital as we have been."

Gubrud, whose company is legendary for its emphasis on new ideas, explains that there are both internal and external reasons why 3M has an extensive intrapreneuring program.

Increasing numbers of companies that started small and grew big are trying to recapture the entrepreneurial spirit that brought them success.

"As we grew in size, there was a possible loss of the spirit of innovation that characterized 3M in the past," he says. In addition, the realities of doing business in today's world mandate constant change. "American industry in general doesn't have some of the advantages—cost is an example—of our friendly foreign competitors. One of the niches we can fill is innovation."

Two years ago Gubrud became a charter member of the company's Innovation Task Force, whose mission was to investigate ways in which corporate practices might be interfering with progress. The task force hired Gifford Pinchot III to perform what he calls an Innovation Audit.

Pinchot is the energetic consultant who came up with the term "intrapreneurship." His book *Intrapreneuring* (Harper & Row, 1985) defines intrapreneurs as: "Any of the 'dreamers who do.' Those who take hands-on responsibility for creating innovation of any kind within an organization. The intrapreneur may be the creator or inventor but is always the dreamer who figures out how to turn an idea into a profitable reality."

The American business community has been so receptive to the ideas of Pinchot and other consultants on intrapreneurship that, says Pinchot, "we're quite overworked."

Success stories are beginning to roll in. Ron Lamb, an insurance risk manager in the Maynard, Mass., headquarters of Digital Equipment Corporation, became concerned about fire losses at four company facilities. Fueled in part by cardboard combustibles, the fires spread rapidly. Reaching far beyond his job parameters, Lamb helped devise a room-temperature process of using silicate-based chemicals to saturate paper stock and make it fire-resistant. The technology for the "box that doesn't burn" has now been licensed to a paper manufacturer for a \$20 million annual fee.

Joline Godfrey, a counselor and personnel executive at Polaroid, was on vacation in Mexico when she conceived the idea for Odysseum, a service that resort hotels could offer as a means of visually enriching a vacation. She assembled an off-hours task force that

Fires at four Digital Equipment Corporation facilities spurred Ron Lamb, an insurance risk manager, to find a way to make cardboard boxes

fire-resistant. The process has now been licensed to a paper manufacturer—for a \$20 million annual fee.



PHOTO: RICK FRIEDMAN—BLACK STAR

worked six months to develop a package of vacation diversions such as Odyssee, a game that sends people on photo assignments, and Sky Hunt, a stress reduction technique that teaches participants to focus on light and color variations in the sky.

"The company officers thought I was a complete madwoman at first," Godfrey recalls. But when she persuaded Sonesta International Hotels Corporation President Paul Sonnabend to test Odysseum on guests at the Sonesta Beach Hotel in Bermuda, Polaroid allocated \$50,000 in development money.

Warns Lee Caudill, a principal of Cresap, McCormick & Paget, a division of the New York-based management consulting firm, Towers, Perrin, Foster & Crosby: "An organization's climate must be right for nurturing such an individual. If it isn't, the effort is bound to fail."

Caudill says that climate must include seven factors:

- A belief that innovation is important to the corporation's success.
- Availability of one or more high-level corporate sponsors who understand the intrapreneur and make sure he or she gets resources needed to develop a service or product.
- A continual challenge to the intrapreneur, one that strikes a delicate balance between praising current activities and pushing for even greater accomplishments.
- A steady stream of food for thought—problems to solve or germs of new ideas.
- A good working relationship between the company's staff and line operations.
- Corporate policies flexible enough to allow the intrapreneur some leeway.
- A program to reward intrapreneurship.

Spurs For Innovation

MANAGING YOUR BUSINESS

Joline Godfrey, a personnel executive at Polaroid, says her company at first thought she was a "madwoman" when she came up with *Odysseum*, a service

that resort hotels can offer to add visual enrichment to a vacation. But then Polaroid provided \$50,000 of development money.

eurial behavior. Public recognition is important to the intrapreneur. Experts also agree that one of the most motivating rewards is sufficient time and budget for the intrapreneur to tackle the next project.

Such a climate does not arise spontaneously. It must be cultivated by an intrapreneurial sponsor who, in some cases, is a bit of an intrapreneur also, a corporate maverick who specializes in creating other mavericks.

Deregulation spawns intrapreneurship. Prior to Jan. 1, 1984, the date when AT&T was forced to break up the telephone operations part of its Bell System into independent regional companies, intrapreneurship at AT&T was blocked by obstacles that perhaps contributed to a stodgy image. "We weren't able to follow our technology in any direction that it might take us," notes Stritzler. "Now we can."

Stritzler's position was established to coincide with the breakup. Over the past two years AT&T employees have been given new opportunities to research, develop and market original ideas with financial and organizational help from the company.

"A large corporation has its tendency to bureaucracy," Stritzler admits. "We try to substantially reduce the time it takes to make decisions and therefore respond to the marketplace."

Any AT&T employee with an idea for a product or process may ignore the normal chain of command and contact Stritzler directly. Initial contact may be a phone call, an idea scrawled on a scrap of paper or a detailed proposal.

Once Stritzler's office determines that a particular idea has merit, he and the budding intrapreneur fine-tune it. At this stage, he says, the innovator must invest "sweat capital" without certainty of reward. If the idea continues to show potential value, Stritzler has authority to commit corporate funds for further development.

"It's typically not a lot of money," he says, "but it helps them get to the point where they have a prototype, they've hired some people, they've worked with customers and they have a reasonable business plan. When that occurs, we move on to the second stage and ask one of our major lines of business to become their sponsors."

In its first two years, Stritzler's office has established five separate businesses within the corporation.

The Conversant Systems Venture,



PHOTO: RICK FRIEDMAN—BLACK STAR

based in Columbus, Ohio, is developing speech processing systems in an attempt to improve communications between computer systems and their human operators. The NDT Venture, in Springfield, N.J., has developed a methodology to improve the existing technique of resistivity testing, a way of determining the strength of a weld by measuring its electrical resistance. The test results can then be stored and ana-

lyzed on an AT&T PC 6300 or other AT&T-compatible computer.

Meanwhile, the Medical Diagnostic Systems Venture, in Homeville, N.J., is devising a system that will enable X-ray images to be stored and retrieved electronically and communicated across telephone lines. The Medical Information Systems Venture, in Morristown, N.J., is automating hospitals' overall paper flow, from bedside to billing.

At 3M Company, says Bob Gubrud (right), a charter member of 3M's Innovation Task Force, a new career

path permits intrapreneurs to rise in the company even if they don't "start behaving like a manager."



PHOTO: STEVE INGOT—PICTURE GROUP

And in Indianapolis, Epicenter is already in the marketplace with computer imaging systems.

Wiasuk and Mattes approached Stritzler in June, 1984, with the technical concept underlying Epicenter's projects. Four months later the venture group was in business. Its 11 professionals and seven staff workers operate with a freedom previously unknown by Ma Bell employees.

"We've been able to develop some very significant products in a very short period," says Asch. One reason is a rotating "day in the bucket." Each of five engineers spends one day a week on telephone duty answering customer inquiries, staying in touch with the market.

"It's the best of all worlds," says Asch. "We have the name of AT&T, which is absolutely fabulous for opening doors, and yet we have the flexibility of a small business. We are a stand-alone profit center."

In 3M's case, you might ask: What more could the company do to promote intrapreneuring? After all, this is the company renowned for its 15 percent rule, which allows an employee to spend up to 15 percent of his or her work time on a project of personal interest that may or may not benefit the corporation. This is the company fond of telling new employees to emulate research chemist Patsy Sherman, who in 1956 accidentally spilled a chemical on her tennis shoes and discovered that it hardened into a protective coating that we now know as Scotchgard.

The Innovation Task Force studied Pinchot's suggestions and narrowed them down to five themes.

Analyzing the theme of *values and goals*, says Gubrud, the task force found that "intrapreneurial behavior was the most highly held value at 3M. The bad news was that most people perceived it as being the job of the laboratory, rather than their own job." The venerated heroes at the company were the inventors of successful products. Innovations in production, marketing, finance and other management areas received comparatively little attention.

One solution is the Renewal Project, launched this April, to re-educate 3M's 85,000 workers in the company's philosophy and goals.

A study of *controls and approvals* determined that as the company had grown, "nuisance controls"—clerical details such as approving subscriptions to technical journals—had crept in.

In the area of *boundary crossing* the company was doing well but could improve. Technical information-sharing is a way of life at 3M, but "tremendous interdepartment competition" has grown up, says Gubrud. The company has begun a counterattack by mingling employees from various departments in teams dedicated to new product development.

Sponsorship is one of the biggest aids to intrapreneurship, says Gubrud. "We recognized that it has become more and more difficult to be a sponsor. The bigger the business, the higher the exposure." The task force decided sponsorship had to be made more rewarding. One solution: When the company gives out its prestigious and coveted Golden Step Awards for innovation, the sponsor is now included.

Which leads to the fifth theme, *rewards*. "I think we have historically done a pretty good job of acknowledging technical innovations," says Gubrud. "But we had difficulties in doing likewise for disciplines such as manu-

facturing, marketing and finance." New awards have been established.

To top off these changes, the task force created a special career path for the intrapreneur. "Traditionally, if you were what is now called an intrapreneur, you'd better start behaving like a manager or your career didn't have a lot of hope," says Gubrud. "With our new career path, an individual who has demonstrated capacity to manage venture-type activity can look forward to recognition, compensation and resources that normally accrue only if you move through the more traditional managerial ranks."

AT&T's Stritzler agrees about the importance of rewarding such people: "The people running the ventures here—battling to demonstrate that we can build small businesses inside a large business—are pioneers. If you're looking for heroes, that's the place to look." ■

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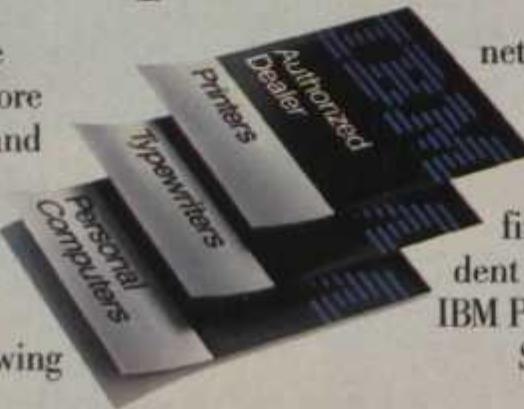
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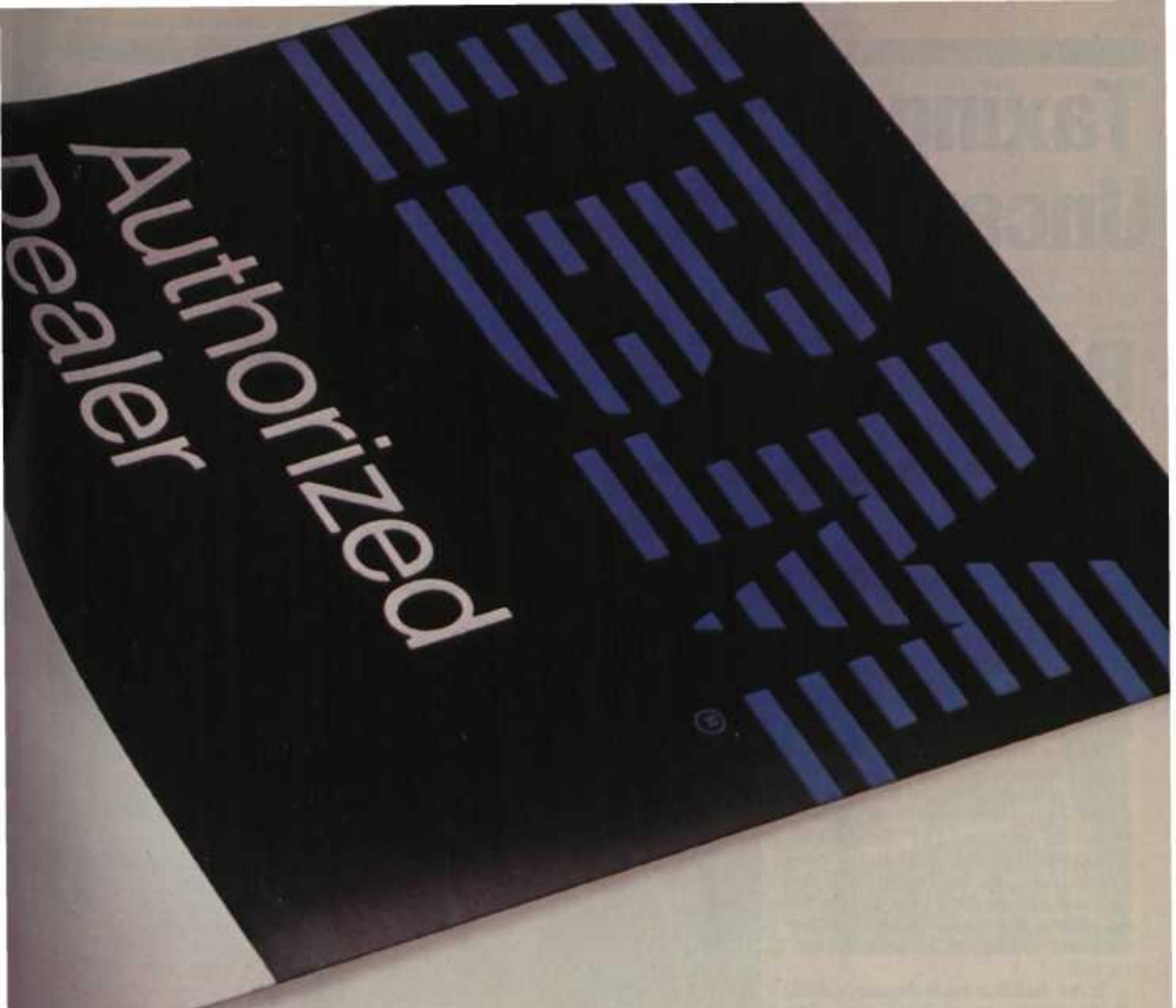
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Taxing Uncertainties

By Andrew J. Sherman

Bill Stone is not going to just sit back and watch his competitors grow.

In early 1985, Stone's company, Louisville (Ky.) Plate Glass, a manufacturer and distributor of insulated and specially tempered glass products with 70 employees, began planning a new plant in Atlanta in response to the growth of regional competitors. The project's financial feasibility was calculated under current federal tax laws, including use of the investment tax credit. But tax reform proposals have caused Stone to redo the financial structure of the plan, in fear that the retroactive repeal of the credit in the House-passed tax reform bill will also appear in the Senate version.

The investment tax credit is designed to encourage capital investment by providing businesses with a 6 to 10 percent credit on certain capital equipment placed in service. The House bill, passed last December, repeals the credit retroactively to September, 1985. The Senate is now working on proposals for tax reform. It remains unclear whether the credit will be preserved in the Senate bill.

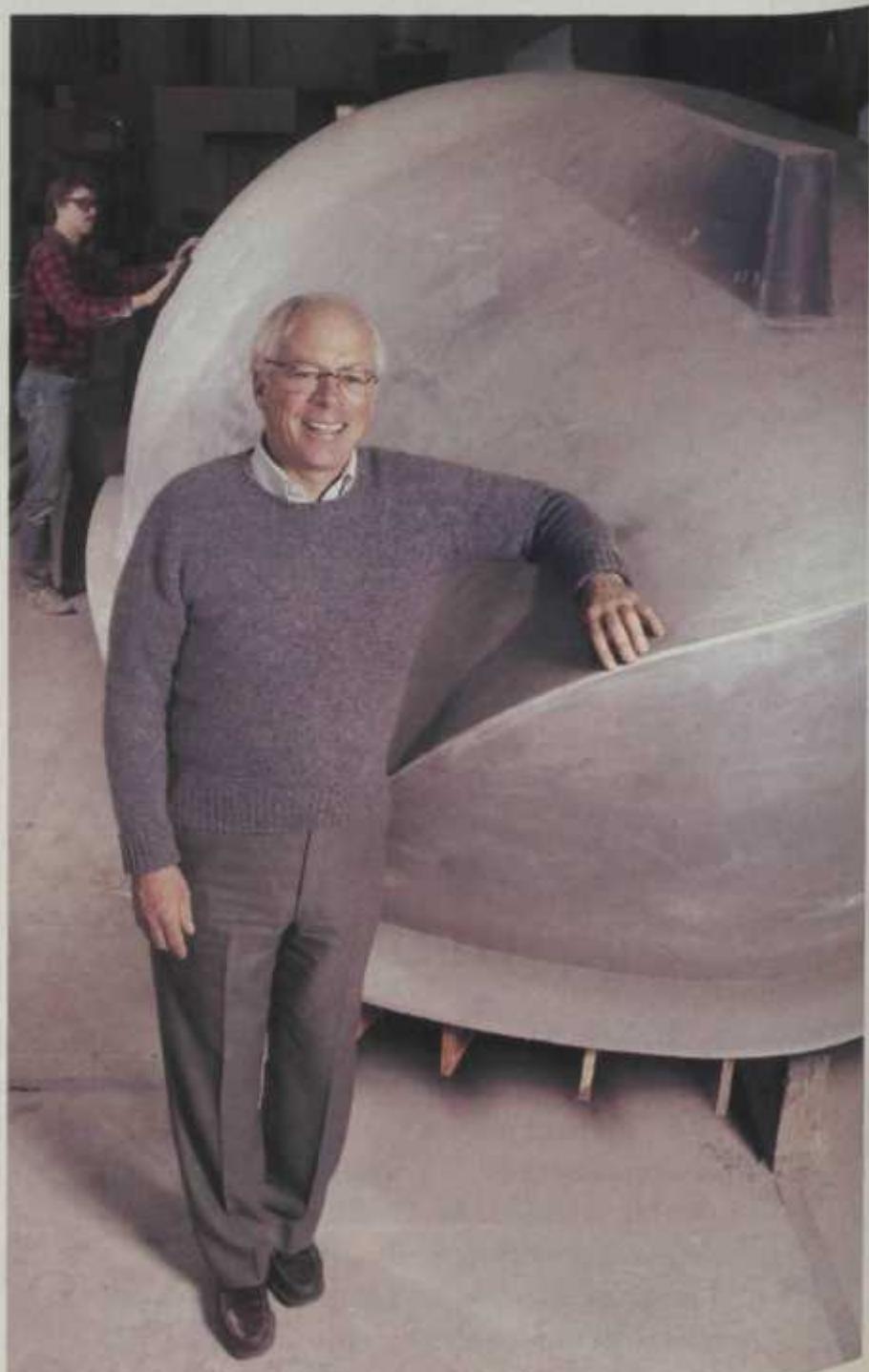
"If we had known in January, 1985, what we know now," Stone says, "we probably would have decided not to build the new plant. We're still going to build it, but not without a lot of heartburn."

Stone, who is chairman of the Kentucky delegation to the 1986 White House Conference on Small Business, does not oppose tax reform, but he does oppose any retroactive application of any new tax provisions: "It's simply unfair to change the rules of the game in midstream," he says. "These proposed changes are screwing up the plans of every capital-intensive small business that tries to plan around the federal tax laws. We can adjust to any aspect of proposed tax reform, if Congress gives us plenty of advance notice."

The first state meeting of a series of 57 leading to the August White House Conference took place in Richmond on Aug. 9, 1985. At that meeting small business owners urged that any tax reform include "simplicity, predictability,

Roger Hewson, president and founder of Sabre Yachts, South Casco, Me., is chairman of his state's delegation to the White House Conference. He

recalls a suggestion at a preliminary meeting in Maine that "the federal tax code should be burned."



Andrew J. Sherman is a Washington free-lance writer.

PHOTO: DEAN ABRAHAM

Delegates to the White House Small Business Conference are urging a return to stability and consistency in federal tax laws.

stability, neutrality, fairness and ease of application." The final state meeting was in Syracuse, N.Y., on May 22. In every state conference the Virginia recommendation has been consistently proposed.

Small business participants have provided an earful on the ever-changing income tax laws, insisting that they cannot afford to hire the expertise to keep up with tax law changes. Their goal: a moratorium to allow for meaningful business planning.

In August, 1,128 elected, 595 state-appointed and 100 presidentially appointed delegates will converge on Washington to voice their concerns on major small business issues. Along with the liability insurance crisis, the federal deficit and barriers to capital formation, the subject of consistency and stability in the federal tax laws will be at the forefront of the debates.

One attendee at the state conference in Augusta, Me., last November said, "The federal tax code should be burned." Recalling the meeting, Maine Chairman Roger Hewson says, "It was a lighthearted way of expressing our discontent with the present tax system and its effect on small business."

Hewson is president and founder of Sabre Yachts, a leading sailboat manufacturer headquartered in South Casco, Me. Sabre employs 175 people who produce 150 boats per year. The company started in 1970 with a 4,000-square-foot facility and currently occupies 60,000 square feet. Sales have grown an average of 26 percent per year since 1981. This growth is especially notable considering the fact that Hewson's entire plant was destroyed by a fire in 1980. In 1985, Hewson was chosen Maine's Small Business Person of the Year. He credits his success to strategic planning but says planning is complicated by ongoing changes to the tax laws.

"The most disruptive thing to small business right now is this uncertainty over the tax code," Hewson explains. "Until matters are settled one way or another, the uncertainty is having a devastating effect on small business owners' ability to develop long-range plans. For example, in our business, every time a new model is introduced, we

Possible retroactive repeal of the investment tax credit worries Bill Stone, in the light of the plans of his company, Louisville (Ky.) Plate

Glass, for a plant in Atlanta. "It's unfair to change the rules in midstream," he says.



PHOTO: SCOTT GOLDSTEIN

invest in new molds, parts and machinery. If the investment tax credit is repealed, it will be a major disincentive to investing in new projects."

"The credit is essential to small businesses nationwide," says Robert Engle. And Engle ought to know; he is national director of the emerging business services division of Coopers & Lybrand, a Big Eight accounting firm with thousands of small business clients. Engle says: "Many of our small business clients are hesitant to go forward with future plans and projects, especially capital purchases, until they know what the final version of the new tax law looks like."

Closely related to small business owners' concern for preserving the tax credit is the future of the accelerated cost recovery system. ACRS came into being in 1981 as part of the Economic Recovery Tax Act, partially in response to demands made on Congress by small business delegates to the previous (1980) White House Conference. ACRS allows for capital cost recovery through deductions for depreciation over a predetermined period, which is generally

shorter than the actual useful life of the asset. The House tax reform bill would replace the current system with a less generous incentive depreciation system, similar to the troubled asset depreciation range system that was the law prior to 1981.

In state conferences nationwide, small business leaders have consistently recommended preservation of the ACRES method, fearing that a modified method of depreciating assets would significantly increase the after-tax cost of equipment.

Calls for tax predictability, fairness and simplicity will be loud and clear at this year's conference. Frustration continues to mount as small business owners are unable to calculate the tax consequences of transactions with certainty.

As one restaurateur at the Nebraska conference put it:

"We all want our tax laws simplified. But we've been spending too much time worrying about tax reform and not enough time making steaks, selling shoes or whatever." ■

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Franchising

By Ripley Hotch

Linda and Charlie Serabian own 17 Subway Sandwich shops in Florida's Fort Lauderdale area and are building six more. Part of their success is luck, and part is hard work. But another part is the support system of a fast-growing franchisor.

Tom Capaldi owns one Hats In The Belfry franchise in Philadelphia and plans to open another. Part of his success is luck, and part is hard work. But another part is the support system of a slow-growing franchisor.

Growth is a hot topic in franchising; it often looms large in the pitch of franchise salespeople. Many say that their franchise is the latest hot idea and that there are fortunes to be made if you get in on the ground floor. Later entrants, they imply, will not have the chance for those big profits.

Such sales pitches can be true. But some experts on franchising say that fast growth alone can leave the franchisee behind, unsupported, and eventually bring the whole system down.

"The franchisee feels, 'I'd better get into this deal now because it's going so fast,'" says Robert Kushell, president of Kushell Associates, a Glen Cove, N.Y., franchise consulting group. "Therefore, he or she buys the franchise. But the emphasis should be on the other end—on how many people are involved in training new franchisees and servicing their operations. You really need to be able to depend on that franchisor to have someone there to help do these things."

Says Linda Serabian: "Growth generates excitement, and it's very exciting to be part of a chain that is growing quickly. But the key is to make sure the franchisor is growing internally to service the growing network of franchisees as well."

Subway, headquartered in Milford, Conn., has been franchising for 11 years. It has 640 locations open and 352 more stores being built. Last year it sold 428 franchises—fast growth in anybody's league.

The Serabians were early entrants in the Subway system. Each bought Subway franchises separately about nine years ago—she in Los Angeles, he in Fort Lauderdale—and they met while serving on the board of the company's advertising fund. (Subway's monthly

Linda and Charlie Serabian say that their Subway Sandwich shops in Fort Lauderdale, Fla., have succeeded in

Prospective franchisees may be attracted to booming businesses, but they must consider that not all growth is good.

part because the franchisor has put money from fast growth into support for franchisees.



PHOTO: MICHEL DUCILLE

advertising fee is put into a fund administered by an elected board of franchisees.)

Charlie, an engineer, had been laid off and had to stand in unemployment lines. A suggestion at a party sent him to look at property for a Subway franchise in Fort Lauderdale. He started his franchise with \$6,000 in the bank and a 10-speed bike, which he used to make bank deposits, riding through the summer rains.

Linda had left her job as an executive trainee at Macy's in San Francisco to tend bar "until I could have my own business." A casual visit to a Subway in her parents' hometown of Eugene, Ore., got her thinking about a Subway franchise. She opened one in Los Angeles and ran it until she and Charlie married.

Linda is a fan of the fast growth Subway has undergone.

"Although the franchisor is growing quickly, there has been an ongoing effort to improve the operations, appearance and quality of the system," she says. "If the franchisor had taken a slow-growth approach, I doubt they

would have had the money to make such improvements."

Hats In The Belfry has been franchising since January, 1984, and has four franchisees. That is slow growth.

Courtney Garton, one of the company's two owners—the other is his wife, Margie Bryce—says the slow growth is "a combination of choice and the fact that we demand the absolute best in locations. And we feel we can adequately service only eight to 12 additional franchises a year. We don't want to grow any faster."

The slow growth allows a lot of personal contact between the franchisees and owners Garton and Bryce.

"In fact," says Jim Pontarelli, the company's director of media and communications, "last week we had all the franchisees in town for a buying strategy meeting. My wife and I cooked dinner for them one night, and the next night we all ate at the franchisor's home." (Pontarelli's wife, Patty, is director of franchise operations.)

The personalized approach is what at-

Franchising

MANAGING YOUR BUSINESS

For Tom Capaldi, owner of a Hats In The Belfry store in Philadelphia, the

franchisor's planned slow growth has meant more personal attention.

tracted Tom Capaldi. "My wife and I looked at both fast-growing and slow-growing systems," he says. "What attracted us to Hats In The Belfry is that the franchisors took a very personalized approach. We could really sit down and talk to them. We didn't want to be just one franchisee out of thousands. I'm sure we get much greater support than we would in a larger system."

Capaldi points out that the Hats In The Belfry approach encourages personal contact not only with the franchisor, but also with other franchisees—permitting valuable sharing of experiences.

"We all know the names of one another's kids," he says.

Support includes several-times-a-year visits from Bryce and Patty Pontarelli plus four meetings a year at the home office in Annapolis, Md. Franchisees choose merchandise from a pool selected by two full-time buyers, and, says Jim Pontarelli, have "a lot of input during buying sessions. They are our best guide to what we should stock."

Hats In The Belfry illustrates what Edward Kushell, brother of Robert and president of the Franchise Consulting Group, of Los Angeles, says about franchisees of new companies: "Early franchisees have more clout. The franchisor is willing to put a lot of effort into making the early ones work out."

At the same time, Kushell says, franchisees should make an effort to get the services they deserve, no matter what the size of the franchisor. After all, franchisees are paying a monthly royalty that is not merely profit for the franchisor but payment for support services.

"If you pay the rent every month, you want hot water," Kushell says. "And if you don't get hot water, you're not going to pay the rent until you do."

To make sure of getting the hot water, he says, a would-be franchisee should take these steps before signing any franchise agreement: "Look at the history of the franchisor. Talk to franchisees. See if the franchisor and franchisees say the same thing. Look at company-owned stores; ask the franchisor if you will receive the same services. Interview the franchisor. If it is a small to medium-size company, ask to meet with the president."

His view is echoed by Paul Woody, a franchisee of General Business Services, Inc., a Rockville, Md., supplier of services to small firms and profession-



PHOTO: SAL DIMARCO, JR.—BLACK STAR

als. GBS has been franchising since 1962, gradually and slowly growing to almost 1,000 franchises.

Woody says: "From the franchisee's perspective, slow growth is not necessarily a negative. When a franchisor grows too fast, the support system is at risk. Without a support system, there is no incentive for the franchisee to stay in the system. After all, the franchisor

has to do something to earn his monthly royalty."

For some franchisors, fast growth is essential. Dial One, a Long Beach, Calif.-based network uniting about 50 different home services from plumbing to pest control, has built a system of more than 800 franchises in a little over three years. Its growth has come entirely from conversion franchising: an

What To Ask About Franchise Growth

When a company selling franchises tells you it is selling them fast, what should you ask to make sure its growth is solid?

And if a franchisor tells you the company's growth is slow and controlled, what should you ask to make sure it is not just stagnating?

Les Rager, of Rager, Hardage & Company, a franchise consultant based in Marietta, Ga., offers the following guidelines for your questioning.

Ask a fast-growing company:

1. Does the industry the business is in have long-term growth potential? Is it a business that provides a service or product that many people will continue to need and want?

2. Is the franchisor capitalized enough to provide the support promised in the franchise agreement? Does the

agreement specify sufficient support? 3. Does the franchisor have the staff necessary for the promised level of support? If not, why not?

4. Is there substance behind the franchisor's statements about profit potential?

Ask a slow-growing company:

1. Does the business have long-term growth potential?

2. Is the capital investment required excessively high in relation to the potential return on investment over time?

3. Is the slow growth of the franchisor mainly due to strong emphasis on franchisee support, which takes much of its resources?

4. Do existing franchisees report that the franchisor provided good start-up support and frequent support visits after the business was open?

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Franchising

existing service business converts to the Dial One system to gain the advantage of national advertising and referrals from other franchisees in the network.

Barry Gilliam, a Dial One franchisee in Cincinnati, says the franchisor's rate of growth has enabled him to build a successful service contracting business in just over a year. "The mass advertising that accompanies rapid growth brings instant name recognition, even in an otherwise fragmented industry like ours," he says.

Despite the growth, says Gilliam, "Our line of communication with the franchisor has not suffered in the least. You need to look at the franchisor's field staff. It doesn't matter how big the franchisor gets. Rather, it is how the franchisor builds his service staff to service the franchisees."

Newer franchisors with a fairly steep growth curve agree. Take Time, of Ocala, Fla., and Gymboree, of Burlin-

game, Calif., are exercise centers at the two ends of the age spectrum: Take Time for those over 50 and Gymboree for children.

Gymboree has 230 sites in 33 states—most of its growth has occurred since 1982—and hopes to have 400 to 600 eventually. Take Time started franchising last December and has three sites open. Chief Executive Officer Jerry Letney says the firm should have 250 in three years and eventually as many as 1,200.

Both companies are increasing consumer awareness by marketing product lines. "The problem is that our consumers don't know about us yet," says Letney.

Gymboree has the recognition but is seeing its growth leveling off, says Karen Anderson, vice president for public affairs and publications. To counter that, the company is introducing lines of merchandise. Among items the company sells through its franchisees are a videotape, a line of plush toys and origi-

nal books. "And we have other licensees we're working with," Anderson says.

Letney says that Take Time has just signed to do a home video and fitness book and is negotiating with a licensee to market a clothing and shoe line in its centers.

Because exercise programs must be carefully constructed to avoid risk or injury, neither franchise allows franchisees to vary from its program. Input is encouraged, and communication kept open, however. And both depend heavily on field representatives. "Every franchisee has a service consultant," says Anderson. "If they don't call us every couple of weeks, we call them."

Despite high capital costs, the quick printing industry is growing rapidly. Within that industry, Alphagraphics Printshops of the Future, of Tucson, Ariz., has shown steady but comparatively unspectacular growth in the six years it has been franchising. The company uses ad-

FRANCHISE GUIDE

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MANAGING YOUR BUSINESS

Franchising

vanced technology that enables customers to create documents easily and have them printed quickly. Its strategy has been to cluster operations to become dominant in a particular area, starting from its home base in the West.

It recently raised the cost of opening a franchise to \$225,000, which cuts the potential for selling franchises. But, says Donald Isaacs, vice president of marketing and advertising, the company expects to grow from its present 160 shops to 500 in the next five years. "We have attracted more interested franchisees because of our new technology."

Alphagraphics President Rodger Ford says supporting franchisees is essential to his company's future: "We feel that our business is not selling franchises but supporting franchisees in their sales to the end customer. To the extent we serve the end user well, we'll serve our owner well."

"I expect the company to be the premier electronic graphics printing organization. We already provide the best franchisee support, and we will maintain that commitment."

Re/Max, a success story in the rocketing real estate franchising field, has built its system by finding a way to keep the need for services down.

The Englewood, Colo., company, which began franchising in 1977, announced it had sold its 1,000th franchise last February. Founder and CEO Dave Liniger expects the company to have 1,500 offices in 1987 or early 1988 and says that its growth "sets a record for the real estate industry; we do not know of any other company growing as we are, including the giant chains of franchise operators."

Re/Max's idea, says Frank Altobelli, a regional director of the company and one of its first franchisees, was to return all of a salesperson's commission rather than require a split between agent and bro-

kerage office, as traditional real estate companies do. All salespeople agree to pay a pro rata share of operating expenses and a fixed fee to the broker/franchisee.

That gives the franchisee a built-in profit and, says Altobelli, attracts successful, experienced salespeople to the company.

"You have to have a track record before you make a commitment to pay the broker every month," says Altobelli. "For an experienced agent, that's no problem."

It is, in essence, a simple idea that builds a company on the experience of others. That reduces training and support requirements and allows Re/Max to concentrate on sophisticated services like a computer referral network to put clients from one area in touch with Re/Max brokers in another.

Proof that the best kind of support for any franchisee is a good franchise idea that benefits everyone in the business. **IB**

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Can We Talk?

By Marta Vago

It seems like only yesterday that a standard joke among businessmen was, "We don't have any problems around here with women managers. We don't have any women managers."

Today, of course, there is a steadily growing cadre of female newcomers to responsibility and power in the business world. Comfort with their presence is not keeping pace, however. Many men, especially in middle and upper management, continue to resist and resent women's presence and influence, and many women must struggle against formidable odds if they are to secure appropriate positions and pay.

Men and women often feel like adversaries in the workplace. "It's hard for me not to be on the defensive, when time and again my suggestions are not taken as seriously as a man's," laments Marel Buckley, a Los Angeles commercial interiors consultant. "Engineers, electricians and builders tend to assume I know little about structure, wiring, code requirements and such, even though some have only a fraction of my experience."

Similarly, some men complain that women don't give them credit for updating their behaviors and attitudes.

What underlies this battle of the sexes, which does a business nothing but harm in today's pressurized competitive climate?

Fred Massarik, professor of behavioral science and industrial relations at the University of California, Los Angeles, Graduate School of Management, says enduring myths and mutual stereotyping are basic. "Some men continue to believe that women don't stay on the job, that they'll quit for good as soon as they marry or have children, and that they won't be as dedicated as men when it comes to their work—all this in face of ample evidence to the contrary. On the other hand, some women attribute few people skills to men when, in fact, the men may be simply less vocal about such matters."

Theodora Wells, a Beverly Hills, Calif., management consultant, suggests that what keeps the battle going "is the way men reject their feminine



ILLUSTRATION: WANDON LEE—EUCALYPTUS TREE STUDIO

selves and women reject their masculine selves. When you reject a part of yourself, you project it onto the other sex. Then, you've got to learn to value what you've just rejected, and that sets up all kinds of conflict."

Disparity in numbers, especially in upper management, contributes to women's feeling of being treated like aliens. Some say their experience makes them feel like strangers in a strange land.

Fortunately, there are factors that are beginning to work in favor of men and women becoming more comfortable as partners in the workplace. Acceptance of women is gaining momentum as more men acknowledge their contributions to business and profits.

Jeffery Stearns, president of his own apparel distributing company in Honolulu, relates how "my new female manufacturers' rep is able to get appointments with prospective clients who wouldn't even talk to me on the phone. I think some people consider women basically more trustworthy."

And Donald Miller, executive vice president, international, at the New York headquarters of Saatchi & Saatchi Compton Worldwide Advertising, says that a lot of the women in advertising "really do their homework and often

show a better understanding of certain products and consumer groups."

Time and age are also beginning to favor women's acceptance in corporations, according to Miller. Today's prominent advertising chief executive officers "are men in their late 50s and 60s with 25 years of corporate experience," he says. "At this point, few women have that kind of track record. However, if the women currently in management supervisory positions remain in their careers, in 10 years a third of all ad agencies may well have female CEOs."

Wells suggests that as more male and female executives begin to place higher value on the people aspects of job performance, not only will male-female relationships in the workplace tend to improve, but so will "energy levels, enthusiasm and motivation. Such changes, accruing to the benefit of both sexes, are likely to encourage cooperation between them."

Unfortunately, many male managers still consider relationship concerns "soft stuff," as do women who have adopted traditionally male attitudes. Yet, in the escalated competitiveness of the marketplace, business survival is increasingly dependent on improved cooperation, open communication, flexible decision making and a greater reliance on "mutuality"—that is, the give and

*Men and women often feel like
adversaries in the workplace, but
there are ways to call a truce
in the battle.*

take and greater sensitivity to one another's concerns and feelings that are traditionally seen as feminine traits.

Managers of both sexes who have been trained to emphasize only the rational and task-oriented aspects of work and to minimize the importance of personal needs and interpersonal issues are finding themselves ill prepared to deal with the complex human roles and participatory styles required by many of today's organizations.

Washington organizational consultant Alice G. Sargent, in her book *The Androgynous Manager* (Amacom, New York, 1983), advocates androgyny—the blending of male and female values and behaviors—in the workplace. By encouraging greater balance between achievement and action ("male" values) on the one hand and the importance of feelings and relationships ("female" values) on the other, not only will women and men work more effectively together, but they will experience less stress, Sargent says.

What other strategies can men and women use to narrow the gender gap in the workplace? Some guidelines:

1. Acknowledge your feelings about gender-related issues at work. Denying your fears, discomforts or concerns interferes with your job performance and discourages resolution of gender-related problems. Insisting that you treat everyone the same, be they female, male, black, white, purple or paisley, only adds to the problem, since women and men do perceive and deal with each other differently. Only by owning up to the differences and how you adjust to them do you make it easier for you, your colleagues and your company to overcome gender-related problems.

2. Confront stereotyping statements and behavior in co-workers of your own sex. It is much easier for men and women to hear constructive criticism about sexist attitudes from someone of their own gender. For example, Helen H., in charge of community relations for a television studio, pointed out to a female colleague that a male co-worker's compliment on her heirloom pearl necklace was not necessarily a chauvinist ploy to reduce her status and power. (As it turned out, the man was an antique jewelry buff.)

3. Experiment with nontraditional

behavior and develop underused aspects of your own business style. For women, this may mean gaining more skill in taking risks, getting and using power and competing. Men, on the other hand, may need to increase their skill in expressing feelings, listening empathetically, and giving and accepting support.

Michael C., a field manager for a gas and oil company who was struggling with marital problems, decided to risk letting his supervisor know he understood the strains the latter was going through in separating from his wife. To his surprise, the supervisor not only talked at length about his feelings but also expressed relief at finding someone who understood. They now feel less on guard with each other, as well as with women co-workers.

4. Enjoy nonwork activities with colleagues. Involvement in softball, racquetball or other co-ed team sports encourages cooperation through fun and play. Working together on fund drives, community outreach programs or creative projects also helps people gain ease in communication and collaboration by focusing their attention on something larger than themselves.

5. Form alliances outside the company. Involvement in mixed group projects and activities through civic and professional organizations not only

brings you visibility and status but helps increase your range of skills and comfort in working with members of the opposite sex. It is sometimes easier to experiment with new behaviors in situations that do not affect your job security and company standing.

And what about the tenacious power of the "old boy network"? It is segregating working men and women in all but formal business relationships. Can anything be done to reduce the persistent discomfort many executives feel about mixing social and business relationships—the essence of networking—with the opposite sex?

Many management consultants agree that before men and women can truly relax together—at work and at play—they must deal more effectively with sexual attraction in the workplace. To do so, they must acknowledge sexual attraction when it occurs, talk about it honestly with each other and then put it aside as an issue.

A male manager might tell a female colleague: "I find you very attractive, and I certainly would like to see you after work."

She might answer: "I feel the same way about you, but I'm not comfortable mixing business with my personal life. Let's concentrate on our work, knowing we find each other attractive but letting it go at that."

If people are attracted to each other, failure to discuss their feelings can take energy away from business.

It seems that candid, nondefensive communication—based on self-awareness and aided by a supportive work climate—is the key to women and men working effectively together in meeting company goals and achieving individual work satisfaction. Androgynous management styles and egalitarian company cultures may be far in the future for many American businesses. Meanwhile, eliminating the biases and put-downs of mutual stereotyping could do much to improve cooperation between the sexes.

Ultimately, our goal should not be to deny whatever sex-related differences there may be among co-workers but to build, instead, on the contributions of both women and men—and make the workplace better for everyone. **MB**



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Marketing

An unusual trade show offers businesses a market in rehabilitation products and services.

By Nancy L. Croft

Ihate the word charity," says Emile Tubiana. "Let's talk business."

Tubiana, who is deaf in one ear as a result of mastoids, is not looking for charity for himself. He is steering business toward tens of millions of Americans who—to varying degrees—are disabled and hundreds of millions of their counterparts abroad.

His marketing method is a combination conference, symposium, workshop and exhibition/trade show called International Rehabilitation Week, held for the first time in April.

Manufacturers, physicians, therapists, service companies, educators and associations dedicated to rehabilitation of the disabled met under one roof in New York. The four-day event featured an international conference of rehabilitation professionals, a medical symposium, workshops and displays of technology and equipment.

The number of disabled is growing rapidly as medical science increases life expectancies and more people reach ages in which infirmities are more common. Tubiana says companies, through technology for the handicapped, can serve themselves and at the same time help people have happier, more productive lives.

U.S. companies already account for more than \$1 billion in annual sales of appliances and supplies for the disabled.

Tubiana, a native of France and former member of the Israeli Army, organized large trade shows in Europe before coming to America.

He organized his first U.S. show in 1973. Today he owns a trade show company and EJJ Management, Inc., which is dedicated entirely to managing International Rehabilitation Week.

He sees the international gathering not only as a way to increase awareness of problems of the physically challenged, but also as a way for exhibiting companies to market their products and services to a large number of buyers for hospitals, schools and other institutions.

Canon USA, noted for cameras and copiers, is one of several companies in the United States that have expanded into rehabilitation. On display at the exhibition was the new Canon Communicator M, a portable device for the

Ronald Hutchinson demonstrates his company's talking software, created for blind computer users like him, at International Rehabilitation Week.



PHOTO: TOM GORELIC—BLACK STAR

speech-impaired. About the size of a pocket dictionary and weighing 9.2 ounces, it has an alphabetized keyboard and a tape printer.

Canon decided to exhibit the device at International Rehabilitation Week because, says Janice Schmidt, a Canon marketing assistant, "we thought that the crowd it would draw from all over the world would be a great audience."

Tubiana says International Rehabilitation Week provides a good way for small companies to receive large exposure for their products. "Companies that cannot afford to publicize their goods can be on an equal level with everyone else," he says. Renting a booth this year cost \$2,000.

Ronald Hutchinson took his two-employee company to New York to make contact with more buyers for his product. His Computer Conversations, Inc., produces talking software programs

for blind people. Hutchinson, blinded nine years ago by a retinal disease, says his talking program works on 95 percent of MS DOS personal computers.

Hutchinson's company has relied on word-of-mouth marketing, but he says the recognition at International Rehabilitation Week was a more effective way to "show people who are accustomed to higher priced products ... that we can offer them an equivalent product more reasonably." Computer Conversations' software package costs \$700 (\$500 for individuals).

Tubiana says his trade show company gave \$500,000 to International Rehabilitation Week. He could build "a nice villa" with some of that money, he says, "but my conscience would be beating me every day." ■

TECHNOLOGY

Electronic Politics

By Karen Berney

Richard Smith was a political long-shot. A Republican, Smith set out in 1984 to beat the odds in a district that had consistently sent Democrats to the Texas House of Representatives since the Civil War. He shouldn't have had a chance.

But something happened on his way to political extinction. Smith bought a personal computer and a laser printer, and his campaign started to roll. Money and volunteers poured in, and in November, Smith upset his opponent. He won the election by 10 percent—4,000 votes.

Vincent Fumo, a Democratic incumbent seeking re-election to the Pennsylvania State Senate, faced a different challenge. In his Philadelphia district, it appeared that "if my rivals didn't get me in the primary, the GOP would finish the job in November," he says. Yet Fumo scared off all primary opposition and scored a landslide in the general election. He did it, he says, not by "my own strength of character," but with "one personal computer, a couple of bright volunteers to operate it and a little proper guidance."

Computers and polities are not new bedfellows. Since the dawn of the mainframe computer, service organizations have been automating voting lists and cranking out letters and labels for political interests large and small.

These vendors continue to do a brisk business in bulk political mailings, but in the last two years microcomputers have become powerful enough to run many aspects of campaigns in-house. That in turn has sparked a new vertical market made up of about a dozen software companies with products going by such names as "Get Out the Vote," "Campaigns and Software" and "Politech."

From the grass roots to the nation's capital, this new technological tool is reshaping the political landscape, say analysts. "With small computers, the sophistication once reserved for the big guys with \$100,000 budgets is now within the grasp of the little guys with just a few thousand dollars to spend," says John Paul Phaup, a political consultant and vice president of the Brady Group, Ltd., Alexandria, Va., maker of campaign software that it sells only to Republican candidates.

Jim Eynon, a Republican challenger in an Indiana congressional race, and his campaign manager Sandy

Sumner rely heavily on microcomputers to help them reach the voters.



PHOTO: DALE REPP

And with financial barriers coming down, virtually anyone can think about running for office, says Howard Cain, adviser to Fumo's campaign and a strategist with Venture Analysis, Inc., Philadelphia, consultants to the Democratic Party.

What is more, microcomputers "are putting the personal touch back in politics," says Phaup. Every voter wants the candidate to shake his or her hand and kiss the baby. But ask a voter what is the next best thing to direct physical contact, and the answer is a personal letter. And "the more personal you get, the better are your chances of winning," Phaup says.

In the process, television time, which many candidates cannot afford, is becoming less important, asserts Joe Trippi, a campaign expert with the Washington consulting group of Doak, Shrum & Associates, which, like Venture Analysis, specializes in Democrats. TV cannot be topped for achieving quick name recognition, but a personal letter communicates more at a lower cost per person, he says.

Take the 1984 campaign of Richard Smith, now state representative from the 120,000-person district that includes the towns of Bryan and College Station, Tex. With an integrated computer system serving as the campaign nerve center, Smith's election manager, Kent Martin, says he was able to keep tabs on 80,000 voters all the time.

With a few keystrokes, for instance, "we could generate a list of all the evangelicals in the district, and target them with a letter delivering a religious punch." The difference is between a letter that reads "Dear Supporter" and one that is addressed to "Dear Betty and John" and conveys a message they can identify with, he explains.

Using this kind of strategic targeting, Smith eventually swayed the voters' hearts and minds and produced a decisive majority at the polls, says Martin. And, because in-house letters cost half what an outside service would charge, the campaign ended with money in the bank instead of in debt.

The equipment does not sit idle while Smith is in Austin. "We use it to keep

Savvy politicians are discovering that a personal computer can give them the advantage in a close race.

track of every piece of correspondence," Martin says. "If a constituent calls Smith, we log it in. If a constituent sends a letter, we answer it in two days." The upshot is an up-to-date measure of the ebb and flow of political undercurrents in the district. So, as November, 1986, approaches, "we not only know who will make contributions, volunteer time and place yard signs," but also how to build a platform with the widest voter appeal, Martin says.

Fund raising, targeting, phone banks and support functions such as budgeting and issue research, were also handled by a microcomputer in Fumo's campaign. "Targeting enabled us to categorize voters and mail to them directly," reports Cain. All voters over 55, for example, were sent letters on Fumo's proposal to increase government subsidies for prescription drugs. "We focused on swing voters," those people with an equal likelihood of voting for a Democrat or Republican.

Unlike Smith, however, Fumo did not use one of the new commercial software packages for campaign management. Instead, "we had a programmer come in and design a custom solution," says Cain. But that proved to be a "crude" way of operating, and Cain now recommends buying off-the-shelf.

As formidable as it is, the microcomputer cannot do it all; for storage of more than 65,000 voter records, a micro is inefficient and costly compared to larger computers, says consultant Trippi. Nevertheless, it still does some things better and cheaper than minis or mainframes and comes in handy even in the biggest campaigns.

In the four gubernatorial and Senate races Trippi is currently managing, micros handle small group targeting. The micro reads census tracts and groups registered voters by characteristics—age, income, sex, homeowner, renter, etc.—and then shoots the data to a mainframe where each voter is matched with an address and phone number.

These lists are merged with the text of personalized letters and sent back to the mainframe for high-volume printing. At the same time, they are used in-house to develop directories for phone banks and door-to-door campaigning.

Computerized political data on voters can be adapted by businesses to identify potential customers, says

Roger Lee, president of Capitol Data Communications, Palo Alto, Calif.



The advantage is that by the time the volunteer picks up the phone or knocks on the door, he already has a wealth of information about the voter to whom he will be talking, says Trippi.

So effective is the personal touch that Roger Lee, president of Capitol Data Communications, Inc., Palo Alto, Calif., plans to adapt for businesses the software and services his firm has developed for political candidates. Though declining to name customers, Lee says he is currently negotiating with a number of companies interested in using voter registration lists to build "ethnic directories," for instance, as part of a marketing strategy.

Micros are also well suited, no matter what the campaign size, for scheduling, polling, maintaining specialized files on donors and volunteers, and media buying. They also "eliminate the headache of complying with state and federal election laws," says the Brady Group's Phaup. "Many candidates buy our software just to deal with Federal Election Commission reports."

In conjunction with a well-orchestrated campaign, one or two microcomputers provide the capability to raise cash and influence voters at a level of personalization and cost that would have been impossible a short time ago, say political experts. Sums up Sandy Sumner, campaign manager for Jim Eynon, a 1986 Republican congressional challenger in Indiana's 10th district: "Doing my job without a computer would be unthinkable."

The Republicans are generally seen as one to two years ahead of the Democrats in embracing advanced campaign technology. "As a minority party, the Republicans were quick to recognize the competitive edge computers could provide," says consultant Cain.

Ultimately, voters stand to be the biggest winners of the race to computerize politics. In personalizing politics, computers are helping to discover the truth about what people are thinking. Armed with this information, today's candidate and tomorrow's elected official "has little excuse or choice but to be responsive and accountable to his constituents," says Cain. ■

High Tech Women

By Karen Berney

Lynette Spano Vives was a rising sales star earning over \$50,000 a year at a major software distributor when Lotus Development Corporation, the software giant, tried to woo her with an offer that would more than double her current income. "At that point," recalls Vives, 31, "I knew that I was good—so good that I could be running my own business."

With that self-assurance she launched Software Control International, Inc., a Washington-based supplier of microcomputer software and support services. In 1984, its first year, SCI grossed \$1.7 million. The former fashion model and flight attendant expects 1986 revenues to reach \$8.5 million.

Paula Brooks, as vice president of marketing at a mainframe software house, was also a favorite among head-hunters when she decided the time was right "for me to be in control of my destiny."

In January, 1985, Brooks, 36, teamed up with a few gifted engineers and formed Unitech Software, Inc., in McLean, Va., to design software for computers that use the Unix operating system. The company introduced its first products last April and already has a \$100,000 backlog. Unitech should end the year with sales totaling \$1.6 million, Brooks says.

Vives and Brooks are part of what experts believe is the first wave of female entrepreneurs in the traditionally male-dominated world of high tech.

Female ownership of businesses of all kinds is on the rise. According to the Internal Revenue Service, the number of women business owners climbed to 3.3 million from 1.9 million between 1977 and 1983. David L. Birch, a professor at MIT and president of Cognetics, Inc., a Cambridge, Mass., firm that tracks business start-ups, estimates the number in high tech is close to 10,000.

No one knows for sure, he explains, because female high tech entrepreneurs are most likely to be found in peripheral industries like computer sales, service and support, and official industrial classifications fail to identify such activities as high tech.

Take Cindy Boyd, who founded Communications Strategies, Inc., in 1983 to translate software instruction manuals into language the lay person can understand.

Lynette Spano Vives, shown with her secretary, Booker Wilson, in her Washington office, launched a firm

that supplies microcomputer software and seems to be really taking off.



PHOTO: T. MICHAEL REZA

stand. Boyd's Fort Worth, Tex., service would probably turn up under a publishing category in a government survey, Birch says.

The ability to stand on firm technical ground is a prerequisite to climbing the high tech job ladder, say the women who reached the top and then turned entrepreneur. "But you only have to be technically savvy, not a technologist," says Brooks. Being able to explain the intricacies of an integrated circuit will not get you nearly as far as understanding the market, what the customer needs and how to sell a product, she says.

To become technically savvy, Vives, who does not have a college degree, says she read and analyzed all the information "I could get my hands on and picked the brains of the experts around me"—a technique she is still using. At that point, she was equipped to identify a niche in the market, the next step toward entrepreneurship.

Saundra K. Henry, president of software maker United Financial Systems, Inc., of Phoenix, and concurrently the owner of two other companies, saw a

need in banking for specialty software to process student loan collection. Henry is a software engineer, but even that coupled with her past management experience was not as valuable in her new venture as her personal network.

A network of people whom you can rely on for advice—every thing from how to write a business plan to how to go public—says Henry, is especially critical for women because they often lack senior management know-how. "It may sound trite, but a carefully cultivated network pays you back in spades," says Brooks. Without a network, Brooks says, she would still be pounding the street seeking investors.

If a woman has technical savvy, a network and is willing to make personal sacrifices for the sake of the business, then high tech is an opportunity she should seriously explore, says Vives. Despite the slump in certain markets, high tech is still the fastest growing industry and "one so young and hungry for talent" that sex, race and ethnicity are totally irrelevant, adds Brooks. **16**

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TECHNOLOGY

The Cutting Edge

By Karen Berney

Your business has just installed a number of microcomputers, purchased software and trained employees on how to use it. You are ready to profit from the information age, right? Not quite.

There is a lot more to effective computing than turning on the machine, popping in the software and adroitly manipulating keys. It has to do with ergonomics—the study of the anatomical, physiological and psychological aspects of humans in working environments. In the context of office automation, it is about optimizing the design and configuration of electronic work stations so that the people who use them can perform tasks efficiently, comfortably and safely.

With an estimated 15 million workers now sitting in front of computer monitors, or video display terminals, these screens are quickly becoming the focal point of ergonomic activity. Barbara Braverman, a consultant with Computer Thinking, Rochester, N.Y., says that the VDT can figure in "technostress," a phenomenon she uncovered in a recent study of 100 VDT users in a major bank. Symptoms of technostress are usually physical, with eye fatigue, neck aches and leg cramps topping the list.

Office furniture manufacturers have been building ergonomically sound chairs and desks for years and now have turned to computer work stations. But to many managers and workers this is news. And that means there is "a big consciousness raising problem" for the 210 members of the Business and Institutional Furniture Manufacturers Association, Grand Rapids, Mich., says Executive Director Stephen Channer.

According to Robert Wilson, sales manager at Hamilton-Sorter Company, an office furniture maker in Fairfield, Ohio, one of the easiest ways to solve VDT ergonomic problems is to provide proper lighting. Computers should not be placed under the fluorescent lighting designed for pen and paper environments, "yet nine times out of 10" that is where you will find them, he says. Even worse, they are often exposed to the sun through windows. Bright lighting and windows reflect glare off VDT screens, which in turn causes eyestrain.

Getting rid of glare could entail draping a window, moving the computer or

A computer operator will be more comfortable at an ergonomic work station, experts say. Such stations require relatively small cash outlays.



PHOTO: IBM CORPORATION

installing new lighting. Task lighting, where illumination is directed only at the surface you are working on, is ideal for paper work. Computers, however, should bask under the soft glow of an ambient light source that can be created by equipping fluorescent fixtures with parabolic lenses, Wilson says.

A microcomputer plopped on a desk "is not an uncommon sight and ranks

To keep a staff comfortable and productive, you may want to consider a few adjustments when introducing computers.

For More Information

A film out in June will explain how to set up a computer work station. Contact the Computer and Business Equipment Manufacturers Association, 311 First Street, N.W., Suite 500, Washington, D.C. 20001, (202) 737-8888. Ergonomic literature is available from the Office Technology Group, 1800 K Street, N.W., Suite 905, Washington, D.C. 20006, (202) 452-9060.

after lighting as the most often committed ergonomic mistake," Wilson says. He says a computer should be placed on a turntable, and the screen should tilt and swivel so the user can find the most comfortable position.

Attention to ergonomic detail pays for itself many times over. In a recent study of a group of companies that bought ergonomically geared lights and chairs for VDT operators, productivity increased between 4 and 8 percent shortly thereafter, reports study author Tom Keller, a professor at the Arizona State University in Tempe.

But do not fall into the trap of assuming that tilted screens, dimmed lights and adjustable chairs alone will optimize office productivity, cautions J. Douglas Phillips, director of corporate planning for Merck & Company, Rahway, N.J. Certainly, someone who feels relaxed at his work station is less likely to leave work early "and kick the dog when he gets home," Phillips says. But if that person is having financial or marital problems, even the purest ergonomic environment is not going to make much difference. ■

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To Your Health

By Martha I. Finney

Twenty years ago a smoking, overweight patient might waddle into the doctor's office and wheeze, "Doc, I don't feel right. Can you prescribe something?" The patient would walk out clutching a vial of pills—uppers to burn up calories, maybe downers to relax.

Today the health care profession is encouraging us all to take more responsibility for our own well-being. A doctor is more likely to put the prescription pad away and say, "Lose weight, stop smoking, exercise and get a good night's sleep."

Fine. But where do we go from there? How do we *motivate* ourselves to stop smoking, to end our deep commitment to chocolate and to run around the neighborhood? We know that good health relies on good habits. Now we need the right tool to help us build them.

Health care professionals and their patients around the country have discovered that "self contracts" can be successful in encouraging habit changes. By signing such a contract with ourselves—stating the objective, the time allowed to achieve the goal, and the rewards and punishments—we take a businesslike approach to being healthy.

"Usually written with the help of a doctor, nurse or friend, self contracts are a great way of helping patients take an active part in their health care," says Nancy Smith, coordinator of the Gerontological Nurse Practitioner Program at the University of Colorado. "Self contracts help you pick out incentives for building good health habits and punishments for failing. They also help you anticipate and avoid harmful thoughts and actions that will knock you off the track."

A typical self contract has six parts. The first is your goal, which should include an interim milestone for yourself. If, for instance, it is reasonable to run a mile daily in six months, aim for walking a mile three times a week by the sixth week. Then plot out the steps you must take to meet that goal. You may need to buy a good pair of running shoes; get up a half hour earlier in the morning and lay out your exercise clothes the night before so that you can hop right into them. Next, list helpful



ILLUSTRATION: CARMEN GUILACH

and nonhelpful thoughts and actions that would help or hinder you in reaching your short- and long-term goals. Choose your rewards and punishments for those goals. Set a date when you will judge your achievements so far and adjust accordingly. Finally, sign and date the contract. You might also find a co-signer.

Even if your problem is complex, the self contract is a useful tool for breaking it down into manageable bits. After working a stressful 60 hours a week for almost a year to earn a promotion, John, a 35-year-old Southern California executive, received a raise and a medical diagnosis: hypertension and adult-onset diabetes. Clearly he had to alter his lifestyle drastically to survive.

Instead of challenging the faceless, undefinable monster called "reform," he picked out a few bad habits to change. For starters, he resolved to reduce his daily 10 cups of coffee to two a week. His reward would be a weekend in the mountains. His punishment would be to do all the family's grocery shopping for three weeks. For some people, food shopping is not a great burden. To John, the idea was intolerable.

With the help of his nurse, John filled out the contract and agreed to call her weekly to keep her up to date on his

Writing a contract with yourself can help you meet health goals that you might otherwise put off.

progress. After selecting his long-term goal, his next step was to establish a short-term success marker—two daily cups of coffee within six weeks. If he succeeded, he could attend a play; if he failed, another three weeks of food shopping. Threatened by a total of six weeks' shopping duty as punishment, he wrote down any thoughts that might trip him up.

"My grandfather always drinks six cups, and he's 86," was a rationalization he prepared himself for ahead of time. To shore up his defenses against such tempting thoughts, he also wrote down that he slept much better without coffee. He bought a teapot for the office, drank only herb tea and caffeine-free sodas, and updated the nurse and his wife, who had signed his contract as his support partner.

To support his new lifestyle, John carefully chose healthy food, played racquetball and golf for exercise and practiced relaxation techniques. He also kept a diary to help him see where a stress pattern might appear in his life.

John met his goal in six months. A healthy, relaxed businessman then took his trip to the mountains.

"It's very important to be sure to give yourself that reward," says Lyda Hill, a South Laguna, Calif. psychologist who coauthored with Smith *Self-Care Nursing* (Prentice-Hall, 1985). "We tend to play the 'tough guy' and deny ourselves rewards for reaching our goals. But the changed habit isn't reinforced if there is no prize for the success."

Of course, the reward must also be good for you. There is no point in promising yourself your favorite brand of cigarettes in return for giving up chocolate.

Similarly, the punishment must sting, but it should not do real damage.

Self contracts are not intended to replace necessary medical treatment, but they enhance therapy by encouraging you to take control of your habits. The beauty of self contracts is that they can be used in all areas of your life.

"Just as with any business contract," says Smith, "you'll reach your goal when you know you'll get the compensation." ■

Making It

The Gang's All Here

Back in 1980, David C. Kjeldsen, president of the Strux Corporation in Lindenhurst, N.Y., decided he had to grapple with a serious personnel problem. On a given workday, one of every four employees at this manufacturer of polyurethane and electronic components was not putting in a full day's work.

Late arrivals, early departures and no-shows amounted to a big, costly headache for management.

Kjeldsen began by attending management seminars, reading personnel journals and jawboning with other managers.

The traditional solutions all took the same route, which was to use sick days or personal days as leverage.

Why reward employees for nonattendance, Kjeldsen wondered, when the message you are trying to convey is pro-attendance?

So he embarked on a different route entirely, abandoning the old ways for an attendance monitoring program that emphasizes positive rather than negative reinforcement.

"The key to the program is paying well days, not sick days or personal days," he says. Strux personnel have no automatic sick or vacation days. Such days must be earned by perfect attendance.

Perfect attendance for a month—including no late clocking in or early clocking out—earns the employees a \$5 cash reward plus credit toward an annual bonus.

The annual bonus for workers employed less than five years is a half day's pay for every month of perfect attendance during the year; for those who have been employed five years or more, it is a full day's pay.

Three months of perfect attendance earns the employee a day off. A year's perfect attendance brings the four regular days off, plus a bonus day (making the total five days off) and a \$200 savings bond.

"Last year, we had 10 people with perfect attendance for the year," says

Competition for skilled and reliable workers has influenced the way Strux Corporation, Lindenhurst, N.Y.,

Rewarding employees for attendance; a country store prospers; better bees for American agriculture; innovation in pipes.

manages its labor force. President David C. Kjeldsen rewards his staff for perfect attendance.



PHOTO: JENNIFER JECOLIN

Kjeldsen. The plant has 82 employees.

Absenteeism has shrunk from 23 percent to 4 percent at a cost to Strux of about \$12,000 in 1985. Nearly all of that is in bonus money, because administrative costs are nearly nonexistent. "It's all done by one payroll clerk," says Kjeldsen.

There have been other benefits besides improving job attendance. "The program has had the pleasant side ef-

fect of reducing turnover by about half," says Kjeldsen.

When he started the program, the Long Island area where Strux is located had a sluggish economy and high unemployment.

Unemployment is now low, and that makes the program more important than ever, he says.

His company must compete for dependable workers with other companies

Making It

The Gang's All Here

PEOPLE

Tradition links three generations of shopkeeping at Bradley's Country Store in Moccasin Gap, Fla. Frank Bradley runs the general store begun

by his grandmother, who sold homemade sausage that is now famous nationwide.

in a fast-growing high tech sector—"you can run a help-wanted ad for weeks and get only a handful of people," Kjeldsen says. So keeping good employees is important, indeed.

Kjeldsen has kept a close eye on the program to make sure it remains cost-effective.

He has found that newer employees, who were not around when the program started, take the automatic bonuses for granted. They feel cheated when they miss out on bonus money because of one day's absence.

To diffuse such resentment, Kjeldsen toyed briefly with the idea of introducing a "safe" day one day a month. Employees would be able to take a day off without pay and still qualify for the attendance bonus.

But the idea was abandoned, on the basis of reasoning that resembles the saying that you can't be a little pregnant. "The safe day would have defeated the original intention of the program, which is to reward perfect attendance, not absenteeism," Kjeldsen says.

Among Strux employees, the well day program is popular because it helps them accumulate both cash and time off.

"And it puts them in charge of their own destiny," says Kjeldsen.

Old-Fashioned Marketing

Down in Moccasin Gap, in rural north Florida, bigger is never better, tomorrow's weather is of more interest than a presidential veto, franchising is frowned upon if even understood, and business success is most often described, offhandedly, as "it's a living."

Hardly the atmosphere, one might say, for an entrepreneur.

But that is a hasty conclusion, one drawn without a visit to Bradley's Country Store and a talk with its third-generation proprietor. Stationing himself each weekday behind the meat counter, with his wife, Lillian, up front at the cash register, 60-year-old Frank Bradley sells mostly dry goods, hogshead cheese and sausage.

The dry goods, in some cases, are items neighborhood folks couldn't do without—washboards, horse harnesses, overalls and the like. Some hang on the walls, for there is not much space in the



PHOTO: DAVID WOODSELL

one-room, tin-roof country store built in 1927 and obviously never remodeled.

And then there is the sausage. Not only are the homemade links something the neighbors cannot do without, and have not since 1910, but Frank's two varieties, smoked and fresh, have addicts around the nation.

"I reckon we made about 60,000 pounds last year," he says. "A lot of it we ship out during the holidays. But we get orders all year, from all over, even from congressmen in Washington."

The sausage business, combined with dry goods sales, proves entrepreneurship can rack up big numbers in even the smallest hamlets. "I figure last year we took in about \$300,000," Frank says.

With no rent or mortgage to pay, one full-time worker in the smokehouse out back, and a pair of older women who come in a couple of days a week to make the hogshead cheese, Frank and Lillian's annual overhead is less than the cost of a couple of those screwdrivers bought by the Pentagon.

Frank writes his largest check on Monday nights. That is when he takes delivery on 15 hogs from which to make his sausage and hogshead cheese.

"I usually buy only from farmers I know, so I get the best hogs," says Frank. He also shows up at county fairs to purchase prize 4-H hogs.

The store, with a functioning Model A Ford outside, is nearly hidden by a canopy of oaks along a tree-shaded rural road some 15 miles northeast of Tallahassee.

"On the same property my grand-

mother first sold our sausage," he adds with pride. It was in 1910 that grandmother Bradley concocted the recipe for the sausage, its fame due in large part to the special spices used. She sold it to the neighbors, through the kitchen window, until the store was built.

The slaughterhouse out back is but half the size of a basketball court. Next to it is a smokehouse closet in which the sausages are cured for seven hours over green hickory.

Frank's parents, who ran the store until he left a job at Railway Express and took over in 1963, still live next door. In their 90s, they look forward to eventually take over for Frank and Lillian.

When they do, they will be expected to continue the annual Bradley's Fun Day each November. It is the only time the Bradleys advertise—not so much to let folks know the exact date of the traditional festivities.

"It's a pretty big day around here," says Frank. "We have cane grinding and syrup making, cloggers, a country band, arts and crafts, rides in the Model A. And we give out samples of our sausage."

"Last year Hurricane Kate blew through and kept attendance down, but the year before we had about 8,000 folks come out. We sold 4,000 pounds of sausage that day."

Obviously, any talk about entrepreneurs' needing a public relations firm or a financial consultant falls on deaf ears in Moccasin Gap.

—Del Marth

A Honey Of A Business

"Beekeepers make better honey," reads a bumper sticker on the car parked in a Northern California farmyard. The car belongs to Susan Cobey and Timothy Lawrence, a husband-and-wife team who three years ago founded Vaca Valley Apiaries on a 60-acre farm near Vacaville. They are not just beekeepers, however. They hope to make an impact on commercial beekeeping through their principal business, scientifically breeding and propagating honey bees.

"It is a very exciting field," says Cobey. She says the beekeeping industry is slow to change and has not kept pace with current research on genetically improved bees.

Cobey and Lawrence think they can help protect American agriculture—and people—from the threat of the Africanized bees that have been making their way slowly from Brazil since 1956, when they were accidentally introduced in São Paulo. The bees' migration is expected to reach Texas by 1989. (There has already been an isolated entry in California by bees that experts speculate were transported unintentionally on a Venezuelan oil tanker.)

Characterized as "killer bees" in the media, the Africanized bees are much more aggressive and unpredictable—and much more likely to sting—than the gentler European strains found in the United States. They pose a real public health problem, Lawrence says, noting that they have been linked with 1,000 deaths in Latin America.

They also engage more frequently in swarming, when a colony splits into two or more, with one staying behind while the other bees move elsewhere. Africanized bees' swarming behavior makes them much less dependable and controllable for pollination purposes.

Because the Africanized bees mate readily with the European bees, farmers and beekeepers alike are worried about the damaging effect that future generations could have on American farming. One third of the nation's food supply—over \$18 billion in crops annually—requires honey bee pollination, Lawrence and Cobey point out.

"Our ability to control the genetics of the honey bee is essential, not only to minimize the effects of the Africanized bee," the team wrote in an industry publication recently, "but to ... increase economically important characteristics."

Cobey, 32, who recalls "collecting bugs" as a child in Pennsylvania, says that "insects always fascinated me."

Bee genetics may have a major impact on U.S. agriculture and public health by 1989, when dangerous Africanized bees are due to

enter the country. Susan Cobey and Tim Lawrence, Vacaville, Calif., breed better bees.



PHOTO: JAMES MASON

She earned a B.S. degree in entomology at the University of Delaware. When Lawrence, 36, was a child, he picked up an interest in bees from a family friend who was a commercial beekeeper. Beekeeping didn't seem like a viable career option to him, however. After high school, he kicked around in welding, construction and truck driving, none of which was satisfying. Finally he got a job in a Glenn, Calif., "bee yard," where he met his future wife.

Their careers took them to Genetic Systems in La Belle, Fla., where they began to master instrumental insemination of bees—a delicate technique in which bees are anesthetized and then inseminated under a microscope. Later they moved back to California, where Cobey worked in bee research and Lawrence earned a degree with a self-designed major in apiculture (beekeeping) and pomology (fruit growing) at the University of California at Davis.

They worked for a year in Baton Rouge, La.—Lawrence in the University of Louisiana entomology department (as a cockroach and termite specialist, he says with a grimace) and Cobey in the U.S. Department of Agriculture Bee Research and Stock Center. "That is where Sue became probably the best inseminator in the country, if not the world," says Lawrence.

Lawrence wanted to get back to bees. The couple returned to California, which they felt was more suitable for the genetic work they wanted to do. It was a year before they could raise from private investors the \$70,000 they needed to start their business.

Like other beekeepers, Cobey and Lawrence can be found in the spring transporting hives—they have nearly 600—to the fields to pollinate such crops as almonds, cantaloupes and alfalfa.

More important, however, are their scientific bee breeding services. They select queens that will produce colonies with a number of desirable characteristics—such as productivity in honey making and pollen collecting, gentleness and calmness, and a reduced tendency to swarm. Queen bees are inseminated only once in their lives, though they lay thousands of eggs. That means the characteristics of an entire colony can be controlled. A top-quality, instrumentally inseminated breeder queen has a \$150 price tag.

Cobey and Lawrence also provide insemination services for Vaca Valley beekeepers and researchers and offer classes in insemination.

Their busiest season is the spring. To spread out their workload and cash flow, they are also growing kiwis, a crop harvested in the fall when beekeeping is quiet. Their firm's revenues were \$60,000 last year, and Cobey and Lawrence expect that figure to increase to \$100,000 this year.

More important to them than the money they can make, they say, is the opportunity to bring about change in their industry and to keep working with the insects they love.

Another message from the back of their car: "Have you hugged your queen bee today?"

—Sharon Nelton

Making It

Piping In A Fortune

Leonard and Diane Johnson sure know what to do with \$1 million. When the hand of fate dealt them that kind of money, they started a business that brings in revenues of nearly \$70 million a year.

Both were born and reared in Pueblo, Colo., and after they were married, Leonard went to work for Colorado Fuel & Iron Corporation selling steel products to the oil producers, lumberyards and hardware stores in the western part of the state.

In the early 1970s, CF&I was sold, and Leonard found himself at odds with the new owners' management philosophies. He decided to quit, and he soon found a job selling steel pipe for a Houston company.

Diane, who had started college at 38, stayed behind in Colorado with the children to finish up her degree in accounting.

When he had left CF&I, Leonard had taken a substantial pay cut, but in his new job he had something he never had before: incentive compensation, in the form of a 5 percent bonus on pipe that was sold.

The 1973 oil embargo hit, and the push was on for domestically produced oil. Suddenly, there was not enough steel pipe to go around, and prices shot up dramatically. Leonard's 5 percent rapidly turned into a gold mine. In less than two years, he and Diane put away \$1 million.

Leonard says the key decisions they had made—his career change and Diane's return to school—"showed us what real freedom was."

He also realized that being successful entrepreneurs "wasn't just something that other people did. It was a possible thing for us."

With Leonard's experience, Diane's new business degree and their good financial luck, they decided to go into pipe distribution on their own in Houston.

They made one false step in 1975, by going into business with someone else. Deciding they needed no partner, they sold out to him the following year and started Central Pipe & Supply Company. Five years later, they opened Central Threading, Inc., which adds threads to pipe.

Leonard handles sales and marketing, and Diane looks after the accounting and financial side of the business. They are 50-50 owners and, observes Leonard, "The suffering has to be equal."

Being in business with Diane has in-

PEOPLE

The numbers look good for Diane and Leonard L. Johnson, of Houston. Combining her accounting skills and his salesmanship, they have parlayed

\$1 million into \$70 million annually by selling pipe and pipe threading services to oil companies.



PHOTO: RAVI ARTA—BLACK STAR

creased his appreciation for accountants, Leonard says. "I think they make lousy people to go out and sell a piece of pipe, but their basic business understanding is good."

Diane agrees. "I flunked Girl Scout cookies," she confesses. But of Leonard she says, "I've been told by other people that he's the best pipe salesman they've ever known."

The Johnsons contend that being innovative is what has won them major oil clients like Tenneco, Amoco, Exxon and Sun. Leonard credits Diane with devising a system of trading that passes muster with the Internal Revenue Service and is of great benefit to customers.

If a company has overbought on certain pipe, Central can relieve it of the surplus and provide pipe that the company can use immediately.

Through their own distribution system, the Johnsons can move the unwanted pipe to another company that can use it.

In a few instances, they are unable to resell the pipes. They do not lose their investment, however, because they can dispose of the pipes by passing them on to scrap dealers or mills, who melt the pipes down.

They were also among the first to import pipe. Until they took one of Exxon's engineers to Korea to look at plants, says Leonard, Exxon wouldn't use Korean pipe. "This little company has introduced some brands into major oil companies that the major oil companies have never bought before," says Diane.

In the long run, the Johnsons say, global competition is a good thing, because it has forced American manufacturers to take a greater interest in producing better-quality products at lower cost.

Nonetheless, the collapse of oil prices that has resulted from Saudi Arabia flooding the market has them worried. The sharp drop in domestic drilling activity has hurt their business—they have had to trim their work force from nearly 50 to about 30 since December.

Diane says they are also concerned about the country's becoming dependent on foreign oil. Particularly troubling, she explains, is the closing of so many "stripper" wells, which are said to account for 12 to 14 percent of U.S. production. "Once those little wells are plugged, we have lost those reserves forever." She says she doesn't want to see her grandchildren hostage to Middle Eastern oil.

The Johnsons have increased their market share since 1984, and they think they will be able to hold onto that gain and even improve it. And with prudence and continued ingenuity, they expect to weather the storm.

"Wherever the industry settles," Diane says, "we will do our best to make our company fit."

In any case, Leonard says he likes to think they are in business because they enjoy it. He and Diane could have lived well on their \$1 million nest egg. But he says, "I'm convinced that if work didn't exist, humankind would invent it. It is necessary to the soul."

—Sharon Nelton

Innovators

By Sharon Nelton

Beyond Body Language

Can your approach to business decision making and problem solving be revealed by the shape and flow of your physical movements? Anita Brick and Alice Levy of Chicago think so, and they founded a business based on that belief a year and a half ago.

It is called Decision Dynamics, Inc., and they use movement theory to help clients in strengthening sales skills, putting together better teams, making good hires and a variety of other management activities. Brick says venture capitalists have asked her and Levy to help them evaluate entrepreneurs who are seeking funds.

Brick and Levy work with both individuals and groups. In either case, they interview people individually and, based on the body movements they observe during the two-hour sessions, prepare an analysis or profile of each person's decision making style. The information can be used by an executive to improve his or her leadership skills or by the group in making sure that every member's strengths are used and blind spots are covered.

In follow-up coaching, Brick and

Levy can help teams and individuals function more effectively.

What can movement tell you? Brick, who has an M.B.A. from the University of Chicago, says they look for an "integration"—that is, the merger of a gesture (when a part of the body, like the head or the hand, moves in isolation) with a posture (when the whole body moves as a unit).

For example, if you watch William F. Buckley on "Firing Line," she says, he shifts his weight back and forth and sometimes his shoulders slope so that "he looks like he's on the diagonal." With this shifting of weight, you can see that he is evaluating.

When President Reagan talks, she notes, he often makes a movement that looks like he is pushing down on a shelf with his hands. It is called "increasing pressure."

"We look for signs of increasing pressure," says Brick. "If we see a lot of it in the movement repertoire, then the person is someone who has very strong opinions and a very strong sense of purpose. And he can be stubborn."

In their interviews, Brick and Levy

try to get a sample of 250 to 300 movements. Ones a person uses most often offer clues to the individual's decision making style—whether, for example, he likes to jump in without much information gathering or whether he prefers to do a great deal of investigation first. In a team, you really want people from both ends of the spectrum in a number of areas, Brick says. For example, she says, you need to include generalists as well as specialists, sensitive people as well as people who seem more detached, and people who like to evaluate as well as people who prefer action without much pondering.

When friends go into business together, she points out, it often doesn't work because they have similar decision making styles. "The people who drive you nuts are probably the people you should work with on a team."

Decision Dynamics bases its approach on methods pioneered more than 40 years ago by a Hungarian researcher, Rudolph Laban, and his colleague, Warren Lamb, who systematically analyzed nonverbal behavior.

Isn't movement analysis somewhat



Innovators

Beyond Body Language

MANAGING YOUR BUSINESS

The Right Kind Of Listening

like handwriting analysis? "No, it's not," answers Kenneth L. Wright, senior vice president, field operations, for Sears Consumer Finance in Chicago. Decision Dynamics did a profile on him that he says was "incredibly accurate."

He doesn't want to say what it told him. "Some of it was good and some of it was rather revealing," he admits. He was impressed enough to ask Brick and Levy to do profiles on his senior management staff of five. Wright says his own profile made him see that he needed to work on long-term planning; the profiles of his staff helped him identify managers who could help him do that kind of planning.

Because Sears is in the process of building its financial network, says Wright, "We've got a lot of new people coming in." The best thing that movement analysis did for him, he says, "was to enable me to get an insight into the people I was having to work with—how they made their decisions and, basically, where they were coming from." Now he hopes to put another 18 or 19 members of his staff through the process.

The thing that is important about movement analysis, contends Brick, is its accuracy.

"No one," she says, "has ever said, 'This is not who I am.'"

An "Angel" For Home Businesses?

As venture capital goes, \$1,000 isn't much. But that is what you will get if Record a Call, a Compton, Calif., manufacturer of telephone answering machines, names you its first "home-based entrepreneur of the year." The company plans to present the award annually in recognition of what Record a Call President F.A. Foresta sees as "the proliferation of home businesses."

Judging will be based on such criteria as obstacles overcome, sales growth and marketing techniques.

Entry deadline is June 30, and entry forms can be obtained by writing to Home-Based Entrepreneur, 256 S. Robertson Boulevard, Beverly Hills, Calif., 90211, and enclosing a stamped, self-addressed envelope.

Did Foresta, a physician, start his business at home? You bet. He founded it in 1968 and quit medicine in 1974 to devote full time to the enterprise.

When Jerry Rogoway took over as president of Mode O'Day, he had serious problems to solve. The company's 460 franchised women's clothing stores were in towns that were too small for major department stores or shopping malls. But the previous management had decided to change the emphasis of the clothing lines to the low-priced end.

That reduced the chain's investment in merchandise—which it owns and consigns to store owners—but displeased the customers.

Rogoway, president since early this year of the Los Angeles-based chain, listened both to franchisees—all of whom are women—and customers.

"We have been doing a lot of listening," Rogoway says. "The customer has told us that she wants value and is willing to pay for it."

As a result, Rogoway says, the com-

pany has learned that it should be getting back to basics by serving the customer with a full range of clothing in all sizes as it had when it was founded: "We have shifted back to what it was that made this company grow."

As part of listening, says Rogoway, the company has tried to make its franchisees part of the decision making process. "I have an open line. I talk to anyone, I answer all their letters, and I require that everybody take time with franchisees so that we hear their side of the story."

The franchisees are telling the home office what kinds of merchandise they need. "When you're dealing with a chain our size," Rogoway says, "you have to be aware of geographical and economic differences. You don't send the same things to Phoenix that you send to Minneapolis."

In Case You Need To Know

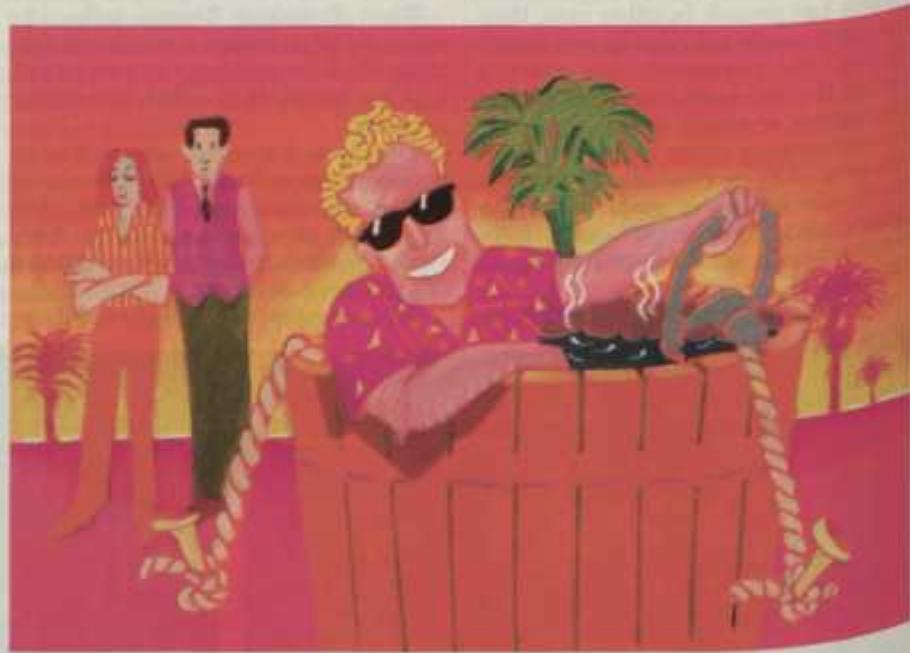


ILLUSTRATION: JENNY DAIBOS—EUCALYPTUS TREE STUDIO

One in three of California's business owners has a hot tub at home. So says a survey of 500 of that state's business owners. Conducted by American Opinion Research of Santa Ana for *California Business* magazine, the study also found that 69 percent of those surveyed would not relocate their business to the East Coast for any reason—not even to double their profits. However, 85 percent said they were willing to sacrifice

some profits to help save the environment.

Eighty percent of the respondents were nonsmokers, and 58 percent have used self-improvement tools, such as group motivation seminars, self-help books or private therapy.

Most (98 percent) consider themselves honest. Given a chance to look at a competitor's secret bid on a contract, 52 percent said they would refuse.

Singapore

Thanks to a probusiness government, Singapore—an exotic seaport for centuries—has caught up with the times. It is fast becoming a high tech

A center for diversified business activity in the Asia-Pacific region sees a bright future as a "gateway to China."

production center and a major regional services provider for multinational firms. It offers

numerous inducements to foreign investors and has the infrastructure to handle any need.



PHOTO: SINGAPORE TOURIST PROMOTION BOARD

Singapore's history since its founding by the British in 1819 can be summed up in one word: trade. This island republic of 2.6 million people sits on important sea and air routes in Southeast Asia. Once, as a transshipment center, Singapore's trade was made up largely of sending commodities like rubber, timber, tin, spices and palm oil it exported from the region to more developed countries. In the 1960s and 1970s its trade was dominated by re-exports of industrial and consumer goods. Now Singapore has also evolved into a major manufacturing, financial and services center, though it is still involved in its traditional activities. The value of trade passing through the island last year amounted to three times Singapore's entire gross national product.

According to Trade Development Board Chief Executive Leong Chee Whye, Singapore is fast becoming one of the most important homes for multinational corporations in the Asia-Pacific region. The government encourages these firms to set up operational headquarters in Singapore for developing products, managing financial activities and performing technical services, in addition to producing goods and services for export.

Singapore is a sophisticated telecommunications center, with state-of-the-art printing and transmission facilities. Recently, also, copyright laws have been



PHOTO: SINGAPORE TOURIST PROMOTION BOARD



PHOTO: SINGAPORE ECONOMIC DEVELOPMENT FUND

tightened to protect industrialists, authors and artists against piracy.

"In terms of value," says S. Chandra Das, chairman of the Trade Development Board, "Singapore is the 18th largest exporting country and 13th in imports worldwide."

This multiracial island of Chinese, Malays, Indians and other ethnic groups has in the past decade achieved an average annual growth of 9 percent and boasts the third highest per capita income in the Orient (after Brunei and Japan).

For some 25 years the island has been under the government of the Peoples' Action Party, led by Prime Minister Lee Kuan Yew. PAP controls 77 of the Singaporean parliament's 79 seats.

The government is committed to free trade. "Nobody owes us a living," says the probusiness Prime Minister. "If we cannot sell our goods and services abroad, that's that." Wholly or partially involved in some

500 Singaporean companies, the government has spelled out a policy of privatization. That is in response to many complaints from local businessmen that government involvement gives these firms an unfair edge in competition with the purely private sector.

Singapore provides a favorable climate for multinational firms. They account for about 70 percent of the republic's exports. This is important because, without arable land resources, the nation is even more dependent upon trade than some of the other high-trading Asian nations. In 1984, government figures indicate, Americans invested about S\$780 million in Singapore, Western Europeans S\$325 million and Japanese S\$167 million. (One Singapore dollar is worth roughly 50 U.S. cents.)

Singapore has a healthy balance of payments—a net surplus of S\$3.2 billion in 1984. The United States in 1984 received about 20 percent of Singapore's exports. Malaysia took 16 percent and Japan 9 percent. About 34 percent of the exports were transshipped goods.

Hong Kong and Singapore have similar characteristics. Both are trade-oriented, densely populated islands with a predominantly Chinese citizenry. But Hong Kong's political future is headed for drastic change when in 11 years it becomes the property of the People's Republic of

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SINGAPORE

A diversified economy, Singapore also competes globally in medium-tech fields like metal casting. Its productivity is enhanced by state-of-

the-art technology and nourished by the interaction of many business cultures.

China. Singapore's political future, on the other hand, is expected to be stable.

The 1986 Business Environment Risk Information report ranked Singapore third, behind Switzerland and Japan, as a nation with good investment potential. Singapore will continue to have high ratings, according to the American-produced report, because it offers political stability, a pro-business climate, an outstanding location, an excellent infrastructure, low reliance upon external borrowing and a strong currency.

Singapore has one of the busiest and most efficient deep-water ports in the world. It serves 500 shipping lines. Administered by the Port of Singapore Authority, the port has five gateways with almost 10 miles of berthing facilities that can accommodate supertankers, container ships, bulk carriers, other cargo freighters, coasters, lighters and passenger liners.

As the world's third largest oil refining and distribution center, Singapore is a natural bunkering port. It is also a leading center for building and repairing ships, providing comprehensive engineering and technical services. The port works 24-hour days throughout the year.

Singapore's Changi International Airport is one of the five busiest airports in the world, serving 44 airlines that link Singapore with 82 cities in 50 countries. The national airline, Singapore Airlines, owns the largest B-747 fleet in Asia after Japan Airlines. In March, it placed an order with Boeing Company for 14 long-haul B-747-400 aircraft, with options for six more. If the options are exercised, the total price tag will be U.S. \$3.3 billion, making this the largest single order for aircraft in aviation history.

The port and air cargo terminals are free trade zones, allowing controlled and quota-restricted imported goods to be stored without time restrictions. Goods can also be processed, stored or manufactured and re-exported with minimal documentation and custom formalities.

Singapore's telecommunications link it to the rest of the world by submarine cables and satellite stations. International direct dialing, telex and facsimile services are easily accessible to businesses. The telecommunications authority, Telecoms, has committed itself to building a state-of-the-art network and providing better service to more people at affordable prices. For that reason, it has reduced its rate for the sixth time since 1979 for direct dialing and telex transmissions. The prices of telephone extension, radio pager and modem rentals have been lowered drastically.



PHOTO: SINGAPORE TRADE DEVELOPMENT BOARD

to help give businesses a competitive edge. Singapore converted completely to push-button phones in 1983; there is a phone for every 2.5 persons. In the next five years, Telecoms is planning to invest about U.S. \$1 billion on digital exchange equipment, submarine cable, new buildings and other infrastructure. Funding will be largely from internal cash generation.

There are more than 300 financial institutions in Singapore, the home of Asia's first financial futures exchange and the Asian Dollar Market. There is a free flow of capital into and out of the country, and there is no limit on profits remitted. There are more than 180 local and international banks.

Until recently, Singapore's spectacular



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SINGAPORE

Singaporean employees in textiles (below left), oil drill bit producing (below right) and numerous other industries work closely with



PHOTO: SINGAPORE TRADE DEVELOPMENT BOARD

economic achievements have been lauded as a model. But now its unemployment is 6 percent, the highest in 15 years. Recessionary waves have finally reached its shores.

Externally, low petroleum prices have affected Singapore's oil refining, petrochemical and shipbuilding and repair industries—accounting for one-fourth its manufacturing sector.

Low commodity prices have reduced the export earnings of Singapore's Southeast Asian neighbors, and this has in turn affected Singapore's trade and tourism revenue. The neighboring nations have, for example, imposed exit taxes on their citizens, resulting in a drop in tourism, the island's third biggest foreign exchange earner. Three million tourists came to Singapore last year, but the number fell short of the average annual increase of 10 percent experienced since the late 1970s. By late 1986, Singapore will have 25,000 hotel rooms with an expected occupancy rate of 54 percent and a likelihood of further decline. The result has been a price war among top hotels, and room rates have become cheaper than in Hong Kong.

Tourists stay an average of 3.6 days in Singapore. A reason for the shortness of their stays, says a government report, is that the island "has lost its Oriental mystique and charm" in its zeal to become a modern city. There are plans to create more parks and entertainment centers for tourists and upgrade existing facilities. A stone garden with sculptures drawn from Chinese legends, Haw Par Villa, will soon be spruced up and enlarged. A leisure center will be built on the Singapore River. Another huge park has been planned at the Fort Canning site, one with an art gallery, picnic grounds, food stalls and playgrounds. A traditional Malay village will be built there.

An Economic Committee was recently

set up to study Singapore's economic ills. It was chaired by the Prime Minister's son, Acting Minister of Trade and Industry, Brig. Gen. (Reservist) Lee Hsien Loong. It issued a candid and searching report.

It cited these internal factors as contributing to the recession:

- Loss of competitiveness due to high operating costs, including spiraling wages.
- A construction slump following overbuilding of hotels, offices and residences. Property prices have been depressed for the past two years.
- Oversaving. Singapore has the highest national savings rate in the world (42 percent of gross domestic product). This means that much of the output of goods and services for the domestic economy has not been consumed. Many investments have not been channeled into productive machinery or equipment, but into construction projects, a misallocation of resources.

This is the bad news. What is the good news?

The Singapore government took on the challenge. Its commitment to Singapore as a business center, particularly for multinational companies, required that it act. The government budget this year contained cuts in corporate, property and personal taxes. The corporate and personal tax was reduced from 40 to 33 percent, effective next year. Employers' contributions to the Central Provident Fund (a major pension program) have been reduced from 25 to 10 percent. There will also be a 50 percent rebate on industrial, commercial property and land taxes from this July 1 through 1988. Companies that are at least 50 percent locally owned are allowed tax reductions of up to 100 percent of their investment in an approved venture capital project made after April 1, 1986. Companies may also carry forward losses for write-offs against future profits. An exemption from Singapore taxes for income

employers to ensure competitiveness. Workers even agreed to a pay cut during the recession.



earned from funds invested in offshore markets and non-Singapore assets is extended to include stocks.

The National Trades Union Congress, which works with the government and employers on a tripartite basis, does not believe in confrontationist tactics in negotiations. It takes the country's long-term interest into account. As such, an across-the-board 12 percent wage cut was endorsed by the Congress, and there is a freeze on wages for as long as necessary. The Congress believes that any supplementary payments should depend on productivity.

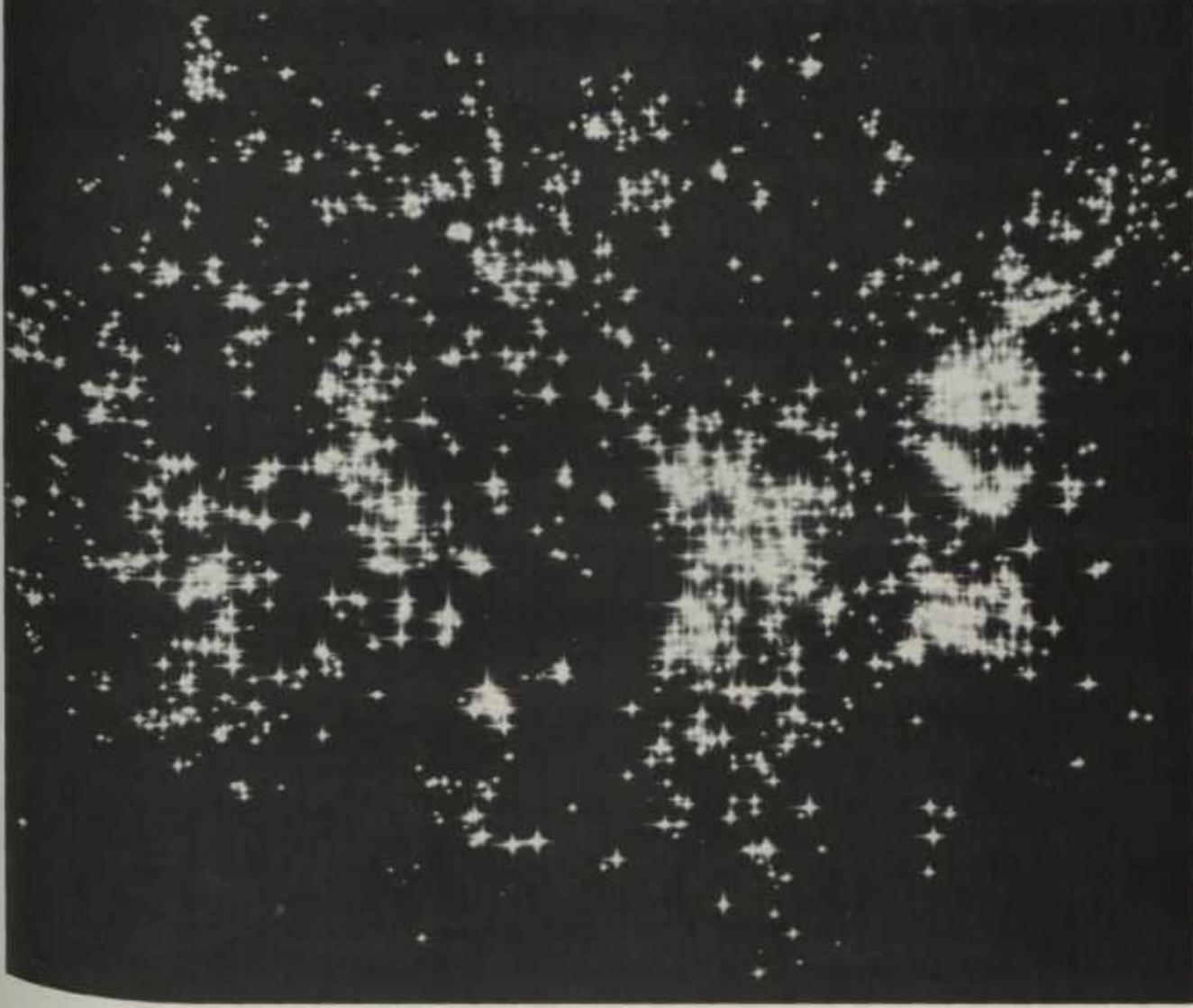
In searching for other markets to trade with, Singapore is promoting itself as a "gateway to China." Singapore wants to team up with multinational firms for joint ventures into China. Singaporeans can offer their Western partners an understanding of the language and culture of China. Many Singapore businessmen are bilingual in English and Mandarin.

Prime Minister Lee visited the People's Republic of China late last year for talks with Chinese Premier Zhao Ziyang. Following the Prime Minister's visit, Singapore signed a tax treaty with China to avoid double taxation.

As trade with China increases, countertrade (or in-kind trade) is becoming fashionable in Singapore. Countertrade accounts for 10 percent of global trade, and its share is likely to increase in the face of falling oil and commodity prices, deepening debt and hard currency shortages in developing countries. Singapore is giving many inducements to countertrade companies.

Singaporeans see the recession as a test of their mettle and their ability to be flexible in searching for new markets. They will continue to champion free trade in the process, because trade is their traditional lifeline to the world. ■

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PERSONAL

It's Your Money

By Ray Brady

It is Dwight Gooden out on the mound, and with every pitch by "Dr. K," strike king of the New York Mets, thousands of baseball fans across the country cheer. A number are cheering not out of love for the game but because with every strike-out, "Dr. K" is adding to the value of their investments—in baseball cards.

In an era when many collectibles have dropped sharply in price, the ubiquitous cards that come with bubble gum—and have been collected by American kids for many years—have an impressive record for holding value.

George Lyons is a broker with the investment firm of Shearson Lehman Brothers, as well as an expert on baseball (and cards), and he says flatly: "If you bought a complete set of this year's baseball cards and kept them, you would find that every four years those cards would double in value. It's absolutely amazing."

It is also amazing how many baseball card collectors are over 21. I first became aware of that at a card collectors' convention in Troy, Mich. Many attending were indeed youthful, but most really serious collectors were well over voting age. And a high percentage of the latter were business people, some lured by the profit potential of sorting through the thousands of baseball cards on the market and picking out ones they think will increase in value.

Baseball cards can be nearly as complicated for investing as Wall Street is. The card of an all-time star may soar in value. But just as there are times in the stock market when nobody wants to own blue chips, investor preference may then shift, say, to modern stars—something like stock investors going all-out for high tech stocks.

Right now one of the hottest baseball cards is the rookie year card of Pete Rose, Cincinnati Reds manager and batting star.

Rose is not the only player on that 1963 card. He shares it with Pedro Gonzales, Ken McMullen and Al Weis. But it was Rose who shattered Ty Cobb's hitting record, and the 1963 card, if it is in mint condition, will bring \$400.

Many experts, however, feel that in-

Investments in baseball cards can pay off. This card of Honus Wagner, who played for the 1906 Pittsburgh Pirates, is worth \$25,000.



vestors in the Rose card may find themselves striking out. It is just not that rare to command such a price, they say. Predicts Alan Crittenden, editor of *Hidden Treasures*, a book on collectibles: "Everybody will try to sell the card, and it'll go down again."

Just as with any commodity, it is rarity—more demand than supply—that sends a baseball card up in price. Take the 1952 card, put out by Topps Chewing Gum, celebrating the entry of rookie Mickey Mantle into the big leagues. As Topps spokesman Norman Liss remembers it: "Sales of that card were not going too well—it came out late in the year—so a lot of copies were put on a barge and dumped in the river."

But Mantle became a star of the New York Yankees—a team with a certain mystique in the minds of collectors—and that, combined with the comparative rarity that followed the barge trip, sent the card's price soaring. In 1980 it reached the \$2,500 level, though it has since fallen back and sells today for around \$2,000.

The astute reader will notice that both the Rose and Mantle cards were issued in the player's rookie year. Such cards are considered especially valuable, because they represent the player's entry into the world of big league

Baseball cards—coveted by youthful fans—are now being snatched up for investments by serious collectors.

baseball and bubble gum cards. As soon as collectors tumbled to the fact that Dwight Gooden might become one of the game's greats, his card soared from a few pennies to \$5 or so—not much in dollars, but a terrific percentage appreciation. A set of the 1983 Lynchburg Mets, on which Gooden played in the minor leagues, is worth around \$25.

As rookie and other cards of modern players have gone up, the cards of most of the game's old-timers have dropped.

There are risks even for those who restrict their buying to rookies and current stars. Case in point: the rise—and fall—of "Super Joe" Charboneau. When he was voted American League rookie of the year in 1980, his card's price was \$2. But Super Joe slipped badly, down to the low minor leagues, and so did his card. It sells now for pennies.

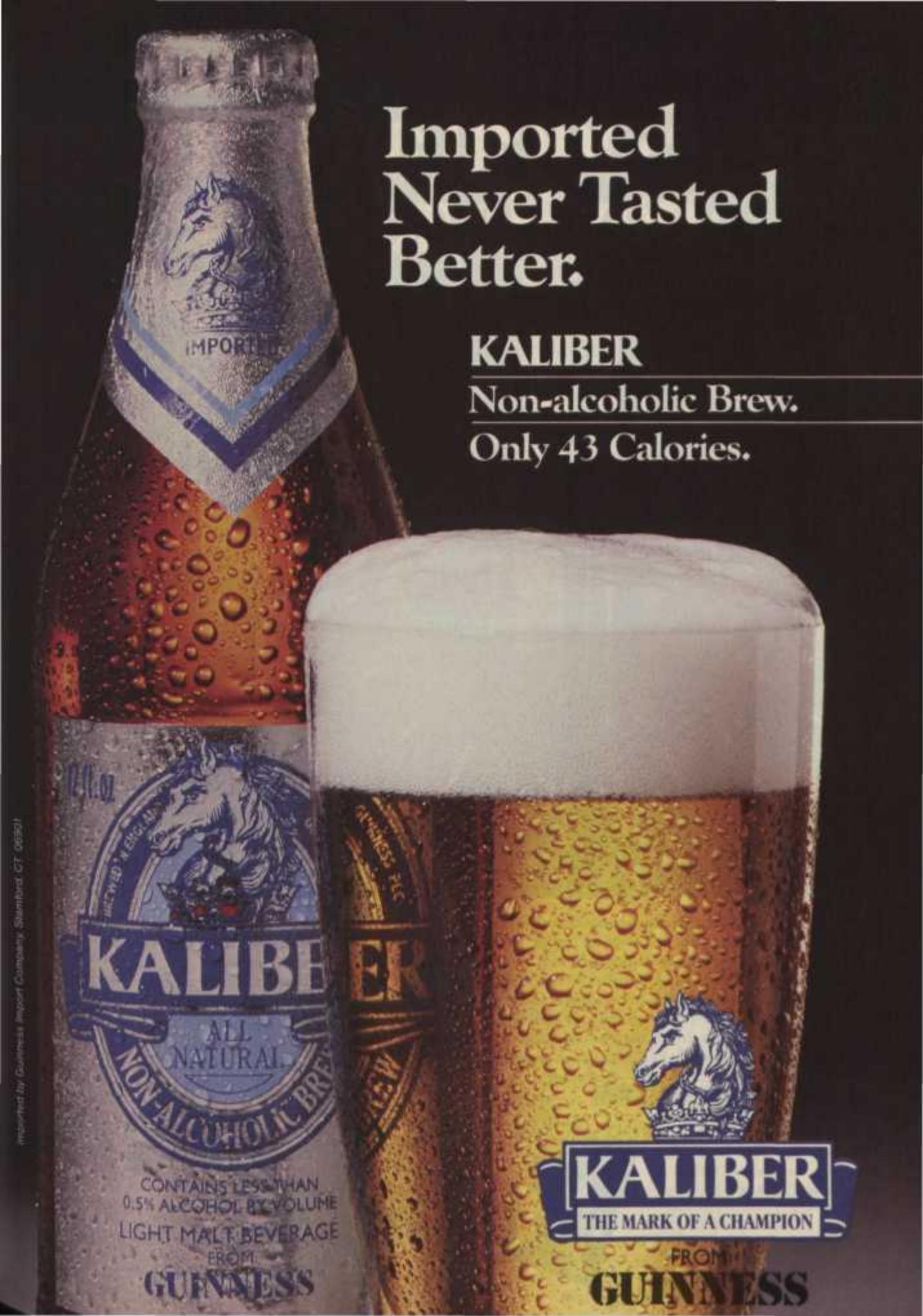
Which brings up a point made by Wall Streeter Lyons. "Look," he says, "prices of cards of modern stars have absolutely gone to the moon—at least in comparative terms. If you buy baseball cards, do it because you like them. If you're looking for something for your IRA account—well, maybe you'd better look into zero coupon bonds or something like that."

Still, for thousands of collectors, there is the romance and color of baseball—the close plays, the timely hits—that lend enchantment to investing in the cards.

Then, there is a factor not to be overlooked: Kids in the past carried cards around in their back pockets or played games with them, flipping them, so that the cards became damaged and eventually were thrown out.

Which means that—even with the emphasis on modern stars—some old cards have reached really high prices. The most famous is of Honus Wagner, the star shortstop of the Pittsburgh Pirates. A tobacco company brought out the card back in 1906. Wagner, horrified at the thought that his mother would think he used tobacco, made the company take the card off the market.

So, very few copies survive. And what collectors cannot forget is that if another one ever shows up, it will be worth \$25,000. ■



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J.H.J., Potomac, Md.

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Liquor Liability

How difficult is it to obtain liquor liability insurance for a new bar?

J.E., Jacksonville, Fla.

Recently, liquor liability insurance (known in legal circles as "dram shop" insurance) has become harder to obtain. The primary reason for the crunch is increased public awareness of the dangers of drunk driving, which has led to multimillion-dollar court settlements in some dram shop cases. As a result, insurers believe they can no longer adequately estimate the extent of their exposure under dram shop policies.

Home Protection

I care for children in my home. Do I need liability insurance?

J.B., Los Angeles

Many insurers provide liability insurance to family day-care homes by applying a "business pursuits" endorsement to a homeowner's policy. Some courts have ruled that even without this endorsement, the homeowner's policy covers family day-care liabilities—at least when a limited number of children are involved—even if the insurer never intended this coverage or set aside funds for losses under it.

For example, the California Supreme Court applied an exception to the business pursuits exclusions for "activities which are ordinary incident to nonbusi-

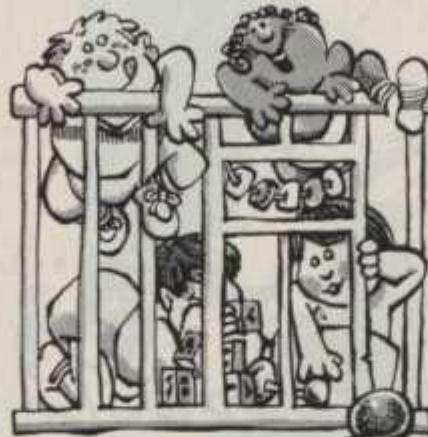


ILLUSTRATION: WILLIAM COULTER

ness pursuits," meaning that they are usually performed in homes without money changing hands. The court noted that "it is difficult to conceive of an activity more ordinary to a noncommercial pursuit than the home care of children," even where the insured is caring for the children for compensation.

Exposed To Risks

My liability insurance premium has risen 300 percent in one year, and I simply cannot afford to pay an increase in premiums. How risky is operating without insurance?

N.W., Yardley, Pa.

"Going bare," or operating without complete coverage, used to be considered an extreme measure, and it still carries a great deal of risk. If you do go bare, you had better cover yourself in other ways, like paying strict attention to product quality and buying group insurance through a trade association.

Catering To Kids

I would like to open a teen club in my city since there is not enough recreation for teens here. I feel it would be a very profitable business. My questions are: Where do I begin, and where can I find out what steps to take in beginning such a business?

K.L., Coweta County, Ga.

Teen clubs, as such, are generally nonprofit. But there are other ways of profitably providing entertainment for teen-agers. A nightclub—offering no alcohol, of course—might be a good av-

enue. Other ideas include operating a sports center or a school of fun courses such as dancing, outdoor adventuring, music, etc.

Choose the business that would be right for you and contact your local chamber of commerce to determine what your competition might be. Conduct some sort of research project, perhaps through local high schools, to find out who your customers really are.

Uniform Laws

I want to establish a security guard service, complete with uniforms, walkie-talkies and beepers. I know the turnover rate in the security guard industry is pretty high, and I am afraid that I will lose a lot of expensive equipment if my guards quit without warning. Can I legally withhold their first paychecks as a deposit for their uniforms and accessories?

C.S.A., Westminster, Md.

According to Anthony Jordan, supervisor of the Wage Payment and Collection Department at the Maryland Division of Industry and Labor, Maryland law permits you to deduct money from an employee's paycheck to cover uniforms and equipment. Your employee must, however, authorize in writing all deductions you take. This authorization usually is made as a condition of employment.

While you may be within the Maryland law, you could be breaking a federal law. The Fair Labor Standards Act says that any business taking in at least \$362,500 annually may not deduct so much that the employee makes less than minimum wage—\$3.35 before taxes. This law applies to the first paycheck as well as all subsequent paychecks.

How To Ask

Have a business-related question?

Write to: Direct Line, NATION'S BUSINESS, 1615 H Street, N.W., Washington, D.C. 20062. Writers will be identified only by initials and city. Questions may be edited for space. All replies must be given in this column.

PERSONAL

For Your Tax File

By Gerald W. Padwe, C.P.A.

Your Chances In An Audit

Probably nothing strikes more fear in the heart of even the most honest taxpayer than the prospect of facing a steely-eyed Internal Revenue Service auditor. No matter how careful you have been, you are sure trouble awaits.

You may not reach the same height of anxiety if it is your company that faces the probe, rather than you, but no IRS audit notification is something to cheer about.

Information released by the IRS this spring confirms that the overall odds that a return will be audited are very low—about 1.31 returns for every 100 submitted, or 1,266,000 of the 95,640,000 filed in 1985.

The chances of being audited depend, in part, on income.

Most likely individual returns to be audited last year were 1040s including a Schedule C (reporting on a business) with gross receipts over \$100,000. From this group, 5.4 percent were audited.

Corporate returns are broken down by asset size in the IRS statistics. Last year, corporate taxpayers with assets between \$1 million and \$10 million had about a 7 percent chance of finding an invitation to chat with the IRS. That opportunity jumped to 30 percent for assets between \$10 million and \$100 million and to 86 percent if assets were over \$100 million.

Though no one looks forward to an audit with eager anticipation (except, perhaps, the examining revenue agent), once it has begun, your ultimate goal is to receive a "no change" report from the IRS—or a refund. The chance of that is nowhere near as good as the initial chance of having your return not audited at all. For example, the \$100 million asset corporation has a 14 percent chance of escaping audit. But if it is audited, it has only a 5 percent chance for a "no change" report, and about 5½ percent for a refund.

For individuals, the likelihood of success varies with the sophistication of the audit classification.

The least taxing audit is the computer-generated inquiry from an Internal

The odds of being audited; special rules on filing estimated taxes for individuals abroad.



ILLUSTRATION: WILLIAM COULTER

Revenue Center asking for the reconciliation of one or two items on the return. Last year 24 percent of such inquiries were satisfied with no increase in tax liability. On the other hand, of audits conducted in IRS offices, 17 percent were closed with no change. For field audits (those where the IRS sends an agent to your premises) only 13 percent resulted in no additional liability for the examined taxpayer.

One way to improve your chances of a "no change" report, at least for field examinations which are more comprehensive, is to have a representative handle the examination for you. As an accountant, I would much rather be able to tell an agent, "I will have to check that with the taxpayer and get back to you" than have the taxpayer sitting in the room, enabling the agent to say, "Tell me all about it."

Estimating Taxes When Abroad

Individual taxpayers outside the United States on April 15 are not required to file their returns—or even obtain an extension—until June 15. This rule applies to individuals who were abroad on a business trip, or even a vacation, on that date; it is, however, primarily intended to cover American expatriates—those living and working abroad.

Even though 1985 final returns are not due until June 15 for these taxpayers, the law is unclear as to whether they were required to make any 1986 estimated tax installment payment on April 15. In the past, when those who had to estimate tax also had to file a return (Form 1040-ES), the rules were clear that being outside the country April 15 also extended the due date both for that return and for the April 15 installment.

Now, one no longer files a 1040-ES, but merely pays estimated tax install-

ments with vouchers supplied by the IRS. But when the 1984 tax law repealed the section of the Internal Revenue Code requiring such returns, it—probably inadvertently—also repealed the relief for expatriates not paying a first estimated tax installment April 15.

At the moment, then, there appears to be a technical hole in the law that could make expatriates liable for underpayment penalties if they failed to pay an April 15 estimated tax installment. But an IRS announcement has informed those who were abroad April 15 that their first installment of estimated tax is not due until June 15.

Remember, if you are affected by these rules, that even though only three estimated tax installments are due (rather than the normal four), the first installment on June 15 must supply at least 50 percent (not 33 percent) of the estimated tax for 1986.

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Where I Stand

Results of this monthly poll on important public policy issues are forwarded to top government officials in the White House and Congress.

1. Forced Unionism In Construction?

The House has passed and the Senate may soon consider a labor-backed bill to ban "double breasting"—a widespread construction industry practice whereby contractors have unionized and nonunionized affiliates. The measure is aimed at forcing union membership on employees of such affiliated nonunion companies. Proponents hope to boost sagging union membership. Opponents say the measure would impinge on workers' rights. Should Congress prohibit contractors from having union and nonunion affiliates?

2. Commercialize Satellite Launchings?

The National Aeronautics and Space Administration's monopoly on launching commercial satellites is under scrutiny in the current probe of NASA policies. Private firms say the monopoly is artificially raising launch costs and, by discouraging innovation, may allow France and Japan—which give priority to business needs—to take over the lead in this field. NASA says its commercial launchings build support for its space research. Should the private sector have a chance to compete against NASA for the business of launching commercial satellites?

3. Reform Defense Procurement Procedures?

The Defense Science Board, a Pentagon advisory group, is looking at how dozens of federal programs aimed at achieving social goals—such as raising wage levels and curbing unemployment in labor surplus areas—raise costs for military goods and services. Critics say these programs are partially to blame for increasing from 90 to 250 days, in four years, the time it takes to award contracts. In an era of budget problems, they say, top priority should go to getting the most value for the money. Others say social goals should remain on the books. Should Pentagon procurement rules be bound by achievement of social goals?

Verdicts On Oil Taxes, Lie Detectors, President's Term

Here is how readers responded to the questions in the April issue's *Where I Stand* poll.

	Yes	No	Undecided
Should higher taxes on energy sources be enacted?	16%	80%	4%
Should Congress forbid use of lie detector tests?	26%	66%	8%
Should the two-term limit on Presidents' tenure in office be repealed?	43%	52%	5%

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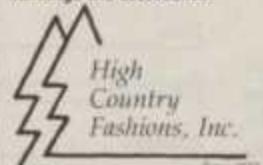
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COMMENTARY

Congressional Alert

ISSUE	BUSINESS IMPACT	BUSINESS MESSAGE
Tax Reform	The Senate Finance Committee tax reform bill, which would radically cut individual income tax rates to 27 and 15 percent, reduces corporate rates to a maximum of 33 percent. It repeals the investment credit, changes depreciation and raises capital gains tax rates.	Members of the Senate: Support pro-savings and pro-investment amendments on the Senate floor. House conferees: Support provisions that promote economic growth in both bills.
Budget/ Appropriations	Raising taxes to achieve the federal budget deficit target of \$144 billion for fiscal '87 could jeopardize the economic recovery and further complicate tax reform.	Members of the House and Senate: Enact budget cuts that hold no programs off limits. Oppose tax increases to reduce the deficit. Economic recovery can be maintained by reducing the level of federal spending.
Trade Reform	Because of limited access to foreign markets, billions of dollars in sales opportunities for U.S. firms are lost. U.S. economic health depends in large part on international trade.	Members of the House and Senate: Give the President more negotiating authority to open foreign markets. However, carefully review all proposed changes to U.S. trade laws to ensure that they do not do more harm than good.
Product Liability	Many firms face bankruptcy or have been forced out of business because of the product liability crisis. Courts have greatly expanded the definition of "fault," and juries have awarded large sums to plaintiffs. As a result, product liability insurance is often unaffordable or even unavailable.	Members of the House and Senate: Enact uniform procedures for product liability cases in state and federal courts. Ending uncertainty about treatment of such cases should decrease the costs and complexity of litigation.
Parental And Disability Leave	Proposed legislation would require employers to grant up to 18 weeks of parental leave for birth, adoption or illness of children and 26 weeks of disability leave to any temporarily disabled employee. This would be harsh on small firms with limited numbers of employees capable of performing key functions.	Members of the House and Senate: Oppose mandated parental and disability leave benefits. Support the voluntary private-sector employee benefits system that provides flexibility in balancing the demands of home and workplace.
Immigration	Immigration reform legislation moving through the House would greatly burden employers. It would require mandatory recordkeeping, impose civil and criminal penalties for hiring illegal aliens or failing to satisfy paper work requirements and grant aliens greater legal rights than U.S. citizens. Also, it would hold employers responsible for actions of their subcontractors.	Members of the House and Senate: Immigration reform legislation should make paper work optional, place reasonable limits on employers' liability/ responsibility and prohibit creation of new legal rights for aliens. Support changes that bring the House bill, H.R. 3810, in line with the Senate bill, S. 1200, which is a reasonable compromise that does not unduly burden business.

Running At The Competition

By Harry Bacas

Edward Donley's morning caller wants to know if he skipped his customary run before breakfast that day because the weather was so nippy.

"Nippy!" exclaims the chairman and chief executive officer of Air Products and Chemicals, Inc., outside Allentown, Pa. "The flowers were all in bloom, the birds were singing, the sun was shining, and the temperature was nearly 40."

He laughs. "I ran my normal 1½ miles, and I felt wonderful when I was through."

Donley, 64, has seen his company grow in 43 years from a tiny business with 10 employees to a firm employing more than 20,000. He has just begun a year's term as chairman of the board of the U.S. Chamber of Commerce and will retire from his Air Products post in a few months.

Trained as an engineer, he is a man with great curiosity, an appetite for history and a passionate belief in the value of education. He also believes strongly in the value of physical fitness. Donley stopped smoking 30 years ago and began regular exercising. His company has an outdoor running track and has just completed an elaborate employee fitness center on its 500-acre headquarters campus.

"We believe there is a benefit to the individual if we create an environment in which wellness is pursued," Donley says. "We can't demonstrate its effect on the bottom line, but if our people have a more vital, healthier, happier, richer lifestyle, then we'll be a better company."

Another kind of fitness deeply concerns Donley these days—the fitness of the United States to function in a global economy.

He sees a need, in the closing decades of the 20th century, to raise the consciousness of Americans about the state of their country's competitiveness in world markets. "This is an issue," he says, "that is not important just to Air Products and to the Chamber, but to every institution in our country."

Although Donley is optimistic about the country's future, he believes Americans do not appreciate the effect industrial competition will have on their well-being and their children's future.

Edward Donley's company, Air Products and Chemicals, Inc., exports to 85 countries and is growing. But Donley fears that Americans do not

understand the effect of U.S. industrial competitiveness on their lives.

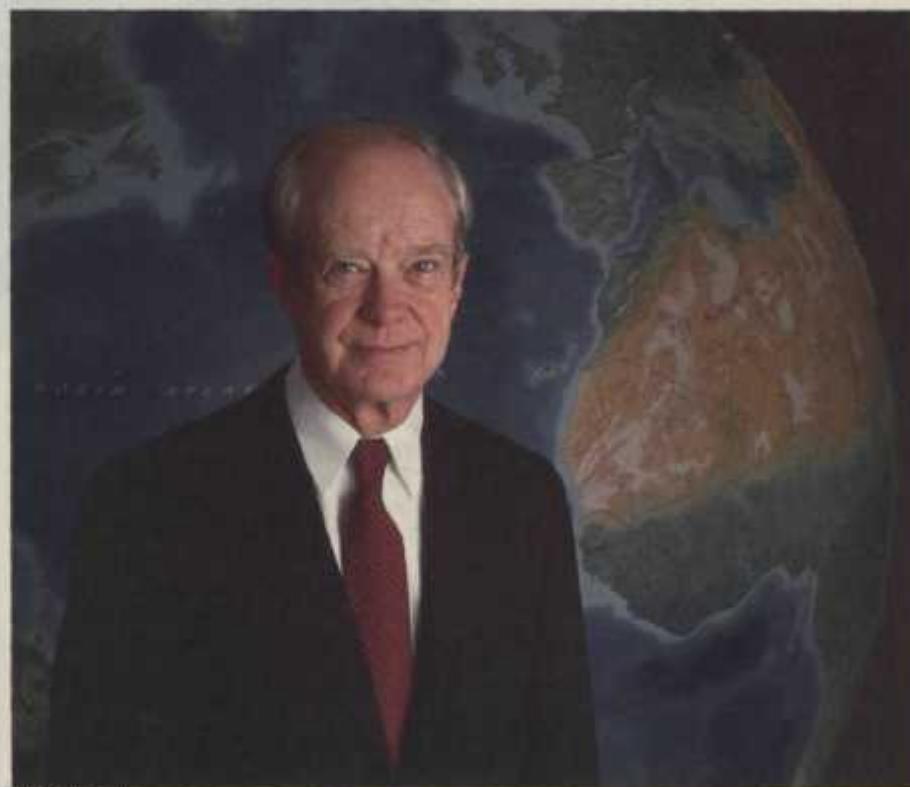


PHOTO: JOHN MACPHERSON

"For 200 years, since the United States was started," he says, "we had the most blessed continent on earth. We had a young, vigorous people. We had the raw materials—timber, iron ore, coal, wheat fields, oil and gas, minerals, you name it—to build the most productive, the most affluent society there was. And we were protected from world competition by two broad oceans."

"All the rewards and benefits that our citizens have been able to experience have been the result of that fortunate position. The other industrialized societies, particularly in Western Europe and Japan, didn't have this self-sufficiency in energy, minerals, food-stuffs, markets. They fought wars to try to obtain raw materials."

"All those countries developed policies, laws, regulations, customs that were bent toward making their industries competitive in world markets."

They had to do that to get the money they needed to pay for the imports without which they couldn't survive.

"Now, we in the United States find we are no longer self-sufficient. We don't have enough minerals, oil and gas."

"We are an open society, we open our markets (and that's the right thing to do) to imports from other systems and the world. But we are finding that our nation is going to be forced to be competitive in world markets with those other economies that we now confront."

"And we're not accustomed to that. Our laws are not designed to enhance American competitiveness. The American people don't think about it as an issue, the way voters in other countries have had to think about it for a century or more."

He adds: "We in the United States have to examine our laws, our tax and

Running At The Competition

LESSONS OF LEADERSHIP

Air Products is a technology-driven company. Edward Donley, talking with an employee in a research lab,

says he has always believed in giving individuals responsibility for their own performance.

fiscal policies, our monetary, environmental, educational, welfare and civil justice policies. Each has to be examined in the context of the question, 'Does it make us more competitive in world markets?' And where the answer is no, we have to change it."

Donley's own company operates in 17 countries and exports to 85. It depends greatly on innovation and technological advancement to compete.

The company was only three years old in 1943 when its founder, looking for the brightest engineers he could find for his oxygen-producing business, recruited Donley off the campus of Lawrence Institute of Technology in Detroit. Donley became the 11th employee.

Within a week the dedication and enthusiasm he showed for his work won him a raise. On this spring morning in his office, the same enthusiasm is evident as he discusses new projects.

Producing industrial gases like oxygen, hydrogen, nitrogen, helium and argon and the equipment to generate them is the largest part of the company's business, but the firm has not stopped at supplying its customers' conventional needs. Much of its expansion has come through developing new applications for its products.

Donley has been exploring one of those this morning. After his run, he ate a breakfast of fruit and cereal and drove his small Ford EXP seven miles to the office. He began his working day by meeting with a project team of scientists, engineers, computer programmers, commercial people and shipping experts to discuss progress of a new use for liquid helium and helium-support equipment.

The application is in the rapidly growing field of magnetic resonance imaging, a new medical diagnostics technique.

"In order to get the high flux density in the magnets to make them work," Donley explains, "they have to be cryogenically cooled to nearly absolute zero. The only refrigerant that can do that is liquid helium."

Air Products' three years of research on this application have given it an edge in technical know-how, and it has captured the largest share of the world market.

"It's a very exciting new program," Donley says. "This new product line has a growth rate of 50 percent compounded annually. At that rate, even



PHOTO: DAVID VALDZ

though something starts small, it can get big pretty rapidly.

"But there's a key issue here, more fundamental than the technology, and that's the people.

"The most basic principle that has guided my career for over 40 years and that created the culture of this company is this: Go to the colleges and find the very best people you can, in all the disciplines—science, research, business administration, accounting, finance, commerce. Bring them into the company and give them a high degree of freedom.

"Encourage them to decide on their own career assignments and give them individual responsibility for their own performance. That provides a tremendous stimulus to young people. They pick up concepts with enthusiasm, they feel an entrepreneurial motivation.

"And it's a self-perpetuating system. We have done it so long in our company, I don't think we could change it even if we wanted to."

His company's growth "has been one of the most dramatic of any industrial firm I know of," he says, "and that growth has been driven by people." The company earned \$143.5 million last year on sales of \$1.83 billion.

Besides gases, the company has divisions that produce chemicals, provide engineering services and produce engineering equipment.

Although Donley, the eldest of eight children, was raised on a farm, both his parents were at one time schoolteachers, and he keeps returning to the importance of education.

"My life cries out to me about the value of education," he says. "Without the engineering degree that I came into this company with, I would never have been able to have a career of the kind I have. I tell young people, 'Get all the education you can!'"

He has made hundreds of speaking and recruiting trips to colleges and universities, sometimes driving through winter snowstorms, often on the road until late at night. He serves on the board of several universities and is chairman of the Business-Higher Education Forum.

After retiring Donley expects to stay on as a director at Air Products until he is 70 or so. In the year ahead he intends to be on the road a lot for the U.S. Chamber.

"I've had a marvelous career," he says, "and I feel it's time for me to try to return to our society some of the tremendous benefits I've experienced."

"Through the Chamber I hope to help raise the consciousness of the American people about the competitive position our country finds itself in and what it is necessary to do if our children and grandchildren are going to have the kind of life to which they are entitled."

"It's a massive educational challenge. But in a democratic society, Congress and the administration respond to what the people want. So you have to educate the people."

Donley has no doubt of the importance of the task. He says, "I believe our future as a nation hinges on coping with this issue." ■

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Editorials

Legislation that should be guarded against; opening corporate doors for idea people.

Don't Tamper With The Rules On Separate Unions For Security Guards

Quis custodiet ipsos custodes?

The question is ageless: Who will watch the watchmen? It comes to mind once again as Congress considers legislation involving the status of security guards under collective bargaining agreements.

The landmark Taft-Hartley Act of 1947 wisely provided that security guards and workers under their surveil-

lance may not be members of the same bargaining unit. The purpose was obvious: to avoid conflicting loyalties in guards who must enforce an employer's rules governing conduct of other employees of the same company.

If guards and other workers were members of the same union, for example, how would the security personnel respond when called on to protect the

employer's property from fellow union members in a strike? Or to protect non-striking workers from harm?

The law against "mixed unions" covers in-house guards and watchmen employed directly by the company, as well as personnel provided to a company by an outside security firm. It also covers armored car and courier guards and alarm service guards who monitor property via electronic hookups from a central location. Such personnel have the right to organize collective bargaining units of their own.

A bill now pending in Congress would dilute the prohibition against mixed union membership by applying it only to plant guards and removing the ban as it applies to armored car, courier and alarm service personnel.

There are two important reasons why that step should not be taken.

First, personnel that would be exempted are not peripheral to company security concerns, as sponsors of the legislation hold, but perform the very type of duties that framers of the 1947 law perceived as potential sources of conflict.

Armed car guards are responsible for the safe and timely delivery of cash and negotiable instruments critical to business operations. Courier guards are entrusted with materials that often include valuables and confidential financial or competitive information. Businesses threatened by fire or burglary could be wiped out if alarm personnel do not respond rapidly. The potential for abuse of such positions by a union dominated by nonguard employees is obvious.

Second, a dilution of the law against mixing guard and nonguard workers in the same union would inevitably lead to demands from organized labor for total elimination of the ban.

The prohibition against mixed unions made eminent sense when adopted 39 years ago. Nothing in organized labor's recent history shows there is any less need today for a provision that makes it easier to watch the watchmen.

Intrapreneurship: A Welcome Trend In The Business World

Joline Godfrey was convinced that the business idea she came up with while on vacation was a surefire winner. It involved a new approach to recreation programs at hotels and resorts, and she saw a big market for it.

She did not, however, go dashing off looking for financial backers to help her start her own business. Though she was as filled with enthusiasm over the prospects for her idea as any eager entrepreneur, Godfrey was in fact an executive of a major corporation. She took her plan to her employer. The company gave the plan the backing needed to bring it to the market.

Godfrey's experience is a typical example of "intrapreneuring," the subject of the article starting on page 42 in this issue.

The term signifies a combination of "in-house" and "entrepreneur" approaches to creativity and innovation. While businesses of varying sizes have long had internal units for development of new products, many found such arrangements were inadequate in today's business environment.

Creative young people chafed under corporate bureaucracies and frequently left to develop their ideas as entrepreneurs. Their former employers lost not only highly promising talent, but also a chance for profitable new lines.

Intrapreneuring in its current form

represents the determination of such employers to solve their particular brain drain problem.

They are doing so by creating the environment—and providing the incentives—for entrepreneurship within their existing business operations.

The idea people are given freedom to research, develop and market products or services on their own.

For larger companies, intrapreneuring is a way to recapture the spirit that put them on the road to success in the first place. For smaller companies, it can be a way of maintaining the entrepreneurial drive that gave them birth.

In a broader, philosophical context, intrapreneuring demonstrates the common denominator of businesses of all types and sizes—the desire for fresh thinking as the basis for growth.

Gifford Pinchot III, a leading expert on the concept, says, "The intrapreneur may be the creator or inventor but is always the dreamer who figures out how to turn an idea into a profitable reality."

On that basis, intrapreneurs share a close bond with the founders of the largest corporations and with entrepreneurs just opening a new business.

Intrapreneurship is helping the entrepreneurial spirit flourish, and its increasing popularity is a healthy development for the American economy.

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